

Social Security

Software Specifications
and Edits for Annual Wage
Reporting - Tax Year 2002



**SOFTWARE SPECIFICATIONS AND EDITS
FOR ANNUAL WAGE REPORTING
Tax Year 2002**

**FOR PREPARING PAPER FORMS W-3
AND COPY A OF FORMS W-2
FOR THE SOCIAL SECURITY ADMINISTRATION**



**Social Security Administration
Office of Finance, Assessment and Management
Office of Financial Policy and Operations
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INTRODUCTION

Welcome to the Software Specifications and Edits for Annual Wage Reporting – Tax Year (TY) 2002 booklet. This booklet is intended for Employers, Human Resource/Payroll Departments and Software Developers who use and/or produce paper W-2, *Wage and Tax Statements* and W-3, *Transmittal of Wage and Tax Statements* reporting forms.

One of the best rewards employers can provide to their employees is the accurate reporting of their earnings to the Social Security Administration (SSA). SSA uses the W-2 Copy A and W-3 to determine eligibility to and amount of benefits employees and their families may receive. These may be benefits they are receiving now or will receive in the future. The initial step to offering our benefits is to determine past and present earnings.

We offer a number of benefits. These benefits are:

- ❑ Retirement Insurance – monthly benefits for retired workers as early as age 62.
- ❑ Disability Insurance – monthly benefits for people, including children, who have a qualifying disability.
- ❑ Family Insurance – monthly benefits for spouses and children of retired or disabled workers.
- ❑ Survivors Insurance – monthly benefits for widows/widowers and children of deceased workers.
- ❑ Medical Insurance – benefits to help pay for hospital bills and other types of medical services.

Our focus is to provide you with the information, tools, formats and other necessary components to correctly report employee wage/earning information on paper forms. Inserting the correct dollar amount in the correct box is just one of the steps toward providing quality information. Legibility, proper use of decimals, periods, dollar signs, commas, and proper sizing of boxed areas are all integral parts of providing readable, optically scannable and acceptable data.

Remember that your employees' benefits could depend on how you report their wage information.

We have many resources available to meet your needs for successful completion of paper W-2 and W-3 wage reports. Some are presented here, while other resources are just a telephone call or website away. Examples of Forms W-2 and W-3 and the reconciliation of the forms to the Internal Revenue Service (IRS) reports are given in later chapters along with a section showing common errors. Appendices indicating SSA offices, other related publications and websites are contained in the back of this booklet.

CHAPTER 1: GENERAL

Paper vs. Magnetic Media/Electronic Filing Requirements

We only permit you to submit paper Forms W-2 and W-3 in certain circumstances as detailed in the chart below. We encourage all businesses to file electronically or using magnetic media. Using this technology increases the accuracy rate and decreases the processing time of filings. Again, all businesses are encouraged to file electronically or using magnetic media, but **not all** businesses may use paper forms.

SSA introduces a new online service for employers who file paper Forms W-2/W-3!

As part of SSA's Business Services Online, the W-2 Online option is designed primarily as a service for small business filers. It allows users with a personal identification number to fill in up to 20 Forms W-2 right on their computer screen and e-file them immediately. It also allows employers to print employee W-2 copies for distribution. For more information on how to take advantage of this new service go to SSA's Business Services Online website at www.ssa.gov/employer.

When May I Use W-2/W-3 Paper Forms?

<u>IF</u>	<u>THEN</u>
You have less than 250 employees...	YES , paper Forms W-2 and W-3 may be used.
You have 250 or more employees...	NO , you <u>must</u> file using magnetic media/electronic filing.
You have 250 or more employees and missed or forgot an employee's record on the magnetic media/electronic file...	YES , paper forms may be used for the employee files missed or forgotten, but the number of forms cannot exceed 249.

Please note that instructions for completing, filing and mailing paper Forms W-2 and W-3 are different from the instructions for completing, filing, and sending the magnetic media/electronic filing to SSA.

For more information on magnetic media/electronic filing please:

- ☐ read SSA Publication MMREF-1, Magnetic Media Reporting and Electronic Filing;
- ☐ call SSA 1-800-772-6270;
- ☐ visit our website at www.ssa.gov/employer; or

- ❑ contact your Employer Services Liaison Officer (ESLO) as listed in Appendix B.

In magnetic media/electronic filings, we offer various formats such as:

- ❑ Online Wage Reporting Service (OWRS);
- ❑ Online transmission of W-2 Copy A and W-3 wage and tax data (see www.ssa.gov/employer/online2000.htm); and
- ❑ Wage reports filed on 3.5-inch diskettes, ½ magnetic tape or cartridges 3480/3480E and 3490/3490E.



CAUTION: If you file paper forms, do not file the same information electronically, or vice versa. Duplication of information causes processing delays, inaccurate employees' SSA earnings records and benefits, tax audits and possible tax liabilities.

Highlights of TY 2002 Changes



The following changes for TY 2002 impact your reporting of W-2/W-3 annual wage information.

- ➔ Social Security taxes will be withheld at the rate of 6.2 percent up to \$84,900 of employee wages. Medicare taxes continue to be withheld at a rate of 1.45 percent on all wages. The change affects the specifications and edits for Form W-2, boxes 3, 4 and 7.
- ➔ We added a new Common Error - Dos and Don'ts. "Do not inappropriately mark the "Retirement Plan" checkbox in box 13."
- ➔ You may file a limited number of Forms W-2 and W-3 online using the SSA web site at www.ssa.gov/employer.
- ➔ The maximum amount of the advance earned income credit (EIC) increased to \$1,503. This change affects the specifications and edits for Form W-2, box 9.
- ➔ Under "Code R" the references to Medical Savings Accounts (MSA) were changed to Archer MSA.
- ➔ Code Q, Military Basic Allowance is being discontinued starting TY 2002. It will continue to be captured for prior year (delinquent) reports.

- The exclusion amount for "Code T," Adoption Expenses, has increased to \$10,000. The change affects standards, specifications and edits for Form W-2, boxes 12.
- The IRS made changes in their assignment of Employer Identification Numbers (EINs) effective January 2, 2002. New valid values were established. See Common Errors - Dos and Don'ts section for the current list of invalid values for the first two digits of the EIN.
- File Copy A of Forms W-2 with the entire first page of Form W-3 with SSA by February 28, 2003.

Where Can I Get W-2/W-3 Forms?

You can get the official IRS W-2 and W-3 paper forms from an approved IRS vendor, by visiting the IRS website at www.irs.gov or by calling 1-800-829-3676 (1-800-TAX-FORM). If calling, please allow 10 days for delivery. Local IRS offices also stock these forms. You must use standardized forms.

Check the forms to make sure that the W-2s and W-3s are for the same TY and the TY for which you are filing your employee information.



Please note that because we process the paper forms by optical scanners, you cannot file Forms W-2 and W-3 that you print from the IRS Website with SSA. We allow substitute forms, but they ***must*** meet the standards described in IRS Publication 1141, General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3.

When are W-2 Copy A and the W-3 Transmittal Due?

For TY 2002, file Forms W-2 Copy A and the W-3 with SSA by **February 28, 2003**. If using magnetic media/electronic filing, the due date is March 31, 2003.

How Should I Prepare the Forms for Mailing?



Please note the following directions when assembling your paper Forms W-2 Copy A and the W-3 for mailing to [SSA](#).

- Do **NOT** separate the W-2 Copy A forms. The entire sheet should remain intact. Submit the entire W-3 transmittal form as well.
- Do **NOT** send cash, checks or money orders.

- Do **NOT** **staple** any of the forms (W-2s or W-3) together.
- Do **NOT** **tape** any of the forms (W-2s or W-3) together.
- Do **NOT** **bend** or **fold** the forms (W-2s or W-3). Send in a flat mailing envelope.

These forms are read by optical scanners. Staple holes, folds, and/or tears cause the optical scanners to jam.

Where Should I Send the Paper Forms?

Mail ONLY paper W-2 Copy A and W-3 Transmittal forms to the addresses listed below.

Regular Mail

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

Certified Mail

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0002

Other IRS-Approved Private Delivery Service

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Can I Get More Time to File?

Need extra time to file? Fill out IRS Form 8809-Request for Extension of Time to File Information Returns. *If approved by the IRS, you will have* an additional 30 days to file.

You can get IRS forms by visiting their website at www.irs.gov or calling 1-800-829-3676 (1-800-TAX-FORM). If requesting delivery of forms through the mail, please allow 10 days for delivery.

IRS Form 8809 **must** be:

- Completed in its entirety and ***sent to the IRS address*** indicated on the form.
- Postmarked on or before the due date of the W-2 Copy A.
- Approved by the IRS – the act of filing the form itself does not grant an automatic 30-day extension.
- Completed in the format as specified by the IRS (specific rules on paper vs. electronic filing of extension form).



CAUTION: Approval of the IRS Form 8809 extension is **ONLY** for the W-2 Copy A; the copy sent to SSA. The filing extension, if granted, does **NOT** apply

to W-2s due to your employees or the W-2s you are required to file with your state or local jurisdictions. Please contact the IRS for more information on late filings to employees and contact your applicable state and local authorities for an extension to file their copy of the W-2.

How Can I Correct a W-2 or W-3 Reporting Error?

This section provides information on using paper Forms W-2c and W-3c. It highlights some of the situations you may encounter if you have to correct W-2s and the W-3 transmittal. These illustrations are not meant to be comprehensive. You will find more information from both SSA and the IRS by:

- ❑ Requesting SSA Publication No.31-031, *Software Specifications and Edits for Correcting Annual Wage Reports* by visiting our website at <http://www.ssa.gov/employer/how.htm#>, or calling 1-800-772-6270, or using Appendix B to contact your ESLO.
- ❑ Requesting IRS *Instructions for Forms W-2c and W-3c* and the official Forms *W-2c and W-3c* by visiting www.irs.gov or calling 1-800-829-3676 (1-800-TAX-FORM).

Note: For W-2c & W-3c Magnetic Media/Electronic Filing information and instructions, you may use the SSA Publication MMREF-2.

What Type of Action is Needed?

Correcting wage data involves: understanding the type of error that occurred, the timing of the mistake, and using the right forms. In most cases, if you report an incorrect *amount* to SSA and the employee, then you must make the correction by filing Forms W-2c and W-3c. However, if you correct the data before you send us the paper forms or if the incorrect data involves an incorrect employee address, Forms W-2c and W-3c are not required.

Voids

If you find an error after the W-2 is issued to the employee but *before the W-2 Copy A is sent to SSA*, check the “**Void**” box on the top of the original W-2 Copy A. Complete a new W-2 form and mark “Corrected Information” on **copies B, C and 2** and send them to the employee.

Send us the new W-2 Copy A along with all the other W-2 Copy A sheets (including any other W-2s Copy A marked “void”).



CAUTION: Do **NOT** include **Voids** in the total count in box c of the W-3 transmittal.

Incorrect Employee Address on W-2 Form

If all other information on the W-2 Copy A is correct *except* the employee's address, a W-2c should **NOT** be filed with SSA, but you **must** correct the employee's copy of the W-2.

How Can I Correct the Employee's Copy of the W-2?

- ❑ Issue a new Form W-2 to the employee with the new address and all other information fully completed on the W-2. The employee's copies (B, C, and 2) **must** be marked "Reissued Statement".



CAUTION: Do **NOT** send the W-2 Copy A with the new address to SSA.

- ❑ Issue a Form W-2c to only the employee showing the correct address in Box "b".



CAUTION: Do **NOT** send the W-2c for the employee address correction to SSA.

- ❑ Follow other actions as detailed in the IRS W-2c and W-3c instructions.

Incorrect Employee Name and/or Social Security Number (SSN)

If the original W-2 Copy A has already been filed with SSA, then a W-2c **must also** be filed with SSA. Fill in only the alpha boxes "a" through "h" on the W-2c. The numeric boxes, 1-8, the blank boxes and box 13 must be left blank. Effective December 31, 2001, file a Form W-3c whenever you file a Form W-2c, even if you are only filing Form W-2c to correct an employee's name and SSN.

You should advise employees to correct the SSN and/or name on their copies of the W-2.

Where do I Send the W-2c or W-3c?

Mail paper Forms W-2c and W-3c to the address below.



Note that paper Forms W-2c and W-3c are sent to different locations than the original W-2s and W-3.

Regular Mail

Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18769-0001

If Other Carrier (e.g. Fed Ex, UPS)

Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Balancing and Reconciling of Annual Wage Reporting

SSA uses wage information to determine entitlement for and the amount of benefits employees and their families may receive. We want your employees to receive the correct amount of benefits based on their wages so we need you to accurately report your payroll information.

Your employees' W-2 amounts should agree to the grand totals as reported on the W-3. The checking and balancing of wage information does **NOT** end there. In cooperation and conjunction with the IRS, the information reported to the IRS on the quarterly 941- Employers Quarterly Federal Tax Return or Form 943 - Employer's Annual Return for Agricultural Employees, are reviewed. The totals of all four quarters of the Forms 941 or annual Form 943 are compared to the totals reported on both the individual W-2s (+W-2c) and the grand totals on the W-3 transmittal (+W3c). If any differences are noted between the reports and their totals, either SSA or IRS will contact you. You **must** respond and fully reconcile all reports on the total of wages and applicable taxes.

Before submitting reports or after making changes and corrections, remember to follow through to make sure the totals on all wage reports balance and agree to each other.

DON'T MAKE THESE MISTAKES

- ➔ Not reconciling totals of the 941 or 943 to the Forms W-2.
- ➔ Not adjusting the totals on the 941 or 943 after correcting W-2s.
- ➔ Not changing the totals on the 941 or 943 after filing additional W-2s.
- ➔ Not adjusting the W-2s after adjusting or correcting totals on the 941 or 943.

Quarterly Forms 941

Form 941
Employer's Quarterly Federal Tax Return
Use this form to report your employer's federal income tax withholding and other taxes for each quarter.

Section 1: Employer Information
 Name of employer: _____
 Address: _____
 City: _____ State: _____ Zip: _____
 Date of filing: _____

Section 2: Tax Information
 Total wages, tips, and other compensation: _____
 Total federal income tax withheld: _____
 Total Social Security tax: _____
 Total Medicare tax: _____
 Total other taxes: _____

Section 3: Summary of Wages and Taxes
 Total wages and taxes: _____

Total Wages & Taxes

All reports must agree to the same summarized totals for the annual wages and taxes.

W-2 Copy A

Form W-2 Wage and Tax Statement
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

2002

3-1908647 Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

W-3 Transmittal

Form W-3 Transmittal of Wage and Tax Statements
Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.
(Do not send any payment (cash, checks, money orders, etc.) with Form(s) W-2 and W-3.)

An Item To Note
Separate instructions. See the separate 2002 instructions for Forms W-2 and W-3 for information on completing this form.

Purpose of Form
Use this form to transmit Copy A of Form(s) W-2, Wage and Tax Statement, (State a copy of Form W-2 and keep it with Copy D (For Employer) of Form(s) W-2 for your records. Use Form W-3 for the correct year. File Form W-3 even if only one Form W-2 is being filed. If you are filing Form(s) W-2 on magnetic media or electronically, do not file Form W-3.)

When To File
File Form W-3 with Copy A of Form(s) W-2 by February 28, 2003.

Where To File
Transmit this entire page with the entire Copy A page of Form(s) W-2 to:
Social Security Administration
Data Operations Center
Baltimore, MD 21205-0001

Notes: If you use "Certified Mail" to file, change the ZIP code to "10709-0001". If you use an IRS approved private delivery service, add "A/FD" and Form(s) 1120 (or Mountain Co.) to the address and change the ZIP code to "10709-0001". See Circular 6, Employer's Tax Guide (Pub. 15), for a list of IRS approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the 2002 instructions for Forms W-2 and W-3.

Penalties

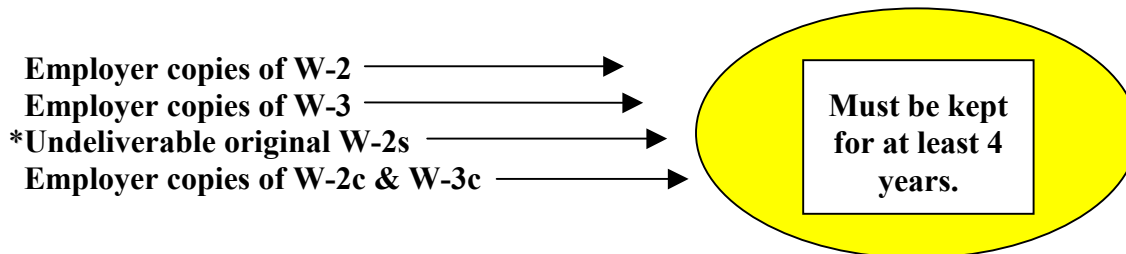
The law requires IRS to consider imposing penalties on nonconforming Forms W-2 based on a multi-tier system. The 2002 Instructions for Forms W-2 and W-3 provide a complete description of the penalty provisions. The penalty amounts are based on when correct information is filed. SSA advises IRS of the dates of receipt of all late-filed reports and the IRS determines if penalties are applicable.

Reasons for penalties include but are not limited to:

- Failure to file machine-readable paper forms.
- Failure to file timely.
- Failure to file on magnetic media/electronically when required.
- Failure to file correction data.
- Failure to file using accurate names and SSNs.

Record Retention

We may contact you with questions regarding the W-2 and W-3 information you filed. It is important that you maintain your Forms W-2 and W-3 for at least the minimum required period of 4 years.



** Undeliverable employee original W-2s that were returned by the postal service should be maintained and kept by the employer and should **NOT** be sent to SSA.*

How Can I Verify Employee Names and/or SSNs?

Employers can verify that the names and SSNs of their employees match to the name and SSN on file at SSA. This free service is offered year round and is called Employee Verification Services (EVS). Using EVS allows you, the employer or third-party submitter, to make sure names and SSNs match prior to filing the Forms W-2 Copy A and W-3. Checking the names and SSNs up front helps you to reduce corrections and the possibility of penalties later. This service also aids in making sure the correct information is posted to the correct employees' Social Security records. The table below briefly summarizes the verification methods available. For additional information, call the Employer Reporting Branch at 1-800-772-6270 or visit the SSA Website @www.SSA.gov/employer for a copy of the SSA Publication No. 20-004, EVS, Employer and Third-Party Submitter Instructions.

Employee Verification Services

<i>If you want to verify</i>	<i>Then</i>
For a small group of employees/SSNs (1 to 5 names)	Call the Employer Reporting Branch at 1-800-772-6270.
For a larger group of employees/SSNs (up to 50 names)	Submit your paper lists to your local SSA office. Some offices can accept fax listings. To find the office near you, visit SSA's website at www.ssa.gov .
For a group of employees/SSNs greater than 50	<p>A simple registration process is required.</p> <ol style="list-style-type: none"> 1. Complete a registration form and privacy act statement and mail or fax the forms to SSA. 2. We will issue a requester identification code and you will be ready to submit your data file or paper listing. <p>Publication No. 20-004, EVS Employer and Third-Party Submitter Instructions provides the forms and the additional information you will need to use this process.</p>

Note: Any information the employer receives from SSA's records is governed by the Federal Privacy Act, 5 USC 552a(1). Under the Act, anyone who obtains this information under false pretenses or uses it for purposes other than that for which it was requested, may be punished by a fine or imprisonment or both.

How May I Obtain Additional Copies of this Publication?

You may obtain additional copies of this SSA publication by:

- ❑ Using the Internet to read and print this publication directly from the employer website @ <http://www.ssa.gov/employer/pub.htm>.
- ❑ Contacting your local ESLO (Appendix B)

Who Should I Contact if I Have a Question?

Operational or technical questions should be directed to your respective ELSO listed in Appendix B.

Tax questions or questions on tax law and regulations may be addressed to the IRS Information Reporting Program Call Site at telephone number 1-304-263-8700. Please note this is not a toll free number.

Employers with questions concerning the SSA and IRS reconciliation of W-2 data, Medicare reporting error notices and/or questions concerning magnetic media and electronic filing may contact SSA at 1-800-772-6270 on weekdays from 7 a.m. to 7 p.m. (Eastern Time).

Comments

Comments or suggestions regarding this document should be forwarded to the:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

CHAPTER 2: SPECIAL CONSIDERATIONS

Terminating a Business

If your company is going out of business or terminating operations, special rules apply for completing the paper Forms W-2 and W-3. The **due date** for the Forms W-2 Copy A and W-3 to SSA for companies terminating are different than the dates for a business continuing operations as a successor employer.

Forms W-2 Copy A and W-3 to SSA	<i>Are due the last day of the month that follows your final Form 941 return due date to IRS (i.e., 2 months after the close of a quarter).</i>
W-2s to employees	<i>Issue to employees by the due date of the final Form 941.</i>

Kind of Payer

Most companies only have one “kind of payer.” If you have more than one kind of payer, then you **must** group the W-2s Copy A by each kind of payer and send with a separate Form W-3 to SSA.

The W-3 transmittal box b is where the **kind of payer** is found.

<u><i>IF you</i></u>	<u><i>Then your “kind of payer” is:</i></u>
File Form 941 – Employers Quarterly Federal Tax Return...	941
Are a U.S. state or local agency filing forms for employees subject only to the 1.45 percent medicare tax (MQGE)....	Medicare govt emp.
Are a military employer...	Military
File Form 943-Employers Annual tax return for Agricultural employees....	943
Are a railroad employer – employees are covered under RRTA....	CT-1
Have household employees and did not include their taxes on Form 941....	Hshld. Emp.
Are a third-party sick pay payer (or are reporting sick pay payments made by a third party) filing Forms W-2 copy A with box 13 “third-party sick pay” marked on the W-2....	Third-party sick pay This is the only “kind of payer” where you can have two boxes marked – i.e. 941 and third-party sick pay - on the same W-3



Note: You may only check one box on “kind of payer” on the W-3 transmittal (except for third-party sick pay). You must group your W-2s Copy A by kind of payer. A separate W-3 is required for each group of W-2s Copy A.

State and Local Governments

Some state and local government agencies have situations where within the same year, the employee wages are subject only to Medicare tax **AND** the employee wages are subject to both Social Security and Medicare taxes.

Two methods are available for reporting this information on the W-2 Copy A.

- Option 1 Combined reporting method - File a single W-2 that reports the Medicare only wages and the Social Security and Medicare wages combined. The Form W-3 box b has the “941” kind of payer checked.

OR

- Option 2 Split reporting method - File two separate W-2s and two W-3s. One W-3 and W-2 would indicate the Medicare only wages for the employee. The Form W-3 box b should have “medicare govt emp” kind of payer checked.

AND

The second W-3 and W-2 would be for the same employee but would report the wages where both Social Security and Medicare were withheld. The Form W-3 box b should have “941” kind of payer checked.

Please Note - SSA prefers Option 1. It condenses the paperwork requirements and decreases the chances of reporting errors.

Agent Reporting

Some employers have an IRS-approved agent file payroll reports (W-2/W-3) with SSA and Forms 941 to the IRS on their company's behalf. To qualify and be recognized as an agent, each employer the agent will represent must complete IRS Form 2678 Employer Appointment of Agent. The agent must file Form 2678 with the IRS along with a letter requesting agency status.

The approved agent may be filing payroll and tax liability reports on behalf of one or more companies. An agent files payroll reports under the agent's tax identification number for the companies he represents and only one Form 941 for all of his clients for each tax period. In fact, it is a requirement that the agent must file only one report for each tax period that includes all of his employees as well as the employers he represents in the agent capacity.

If you are an agent, special reporting situations can occur when completing the Forms W-2 Copy A and the W-3 transmittal to SSA.

If you file Forms W-2 on behalf of other employers in an agent capacity, please remember:

On Form	Use	You are to
941	Your EIN and your name and address on the form.	Report <u>all</u> wage, tax, and other information requested on the Form 941 on a consolidated basis for: <ol style="list-style-type: none"> 1. Your employees, AND 2. The employees of the employers you represent as an agent.
W-2	Your: <ol style="list-style-type: none"> 1. EIN in <u>box b</u> of the W-2 2. Name and address in <u>box c</u> of the W-2. <p>*see exception</p>	File <u>one</u> consolidated W-2 for each employee. Even if an employee works for you and for one or more of the employers you represent as an agent, only one consolidated W-2 is filed for that employee *see exception BUT , if the consolidated Social Security wages of that employee exceed the Social Security wage limit for that TY, then more than one W-2 must be filed for that employee. See the next page for more details. *see exception

EXCEPTION		
Form	IF	THEN
W-2	<p>If you, the agent, have an employee that works for you and also works for one or more of the employers you represent, special reporting issues may occur.</p> <p>If that employee's consolidated Social Security wages exceed the limit for that TY, then you MUST file separate Forms W-2 showing the wages paid by each employer to that employee.</p> <p>In the above case, the employee could receive two or more W-2s. The W-2 would still be in the agent's employer tax identification number but box c of the W-2 would show:</p> <ul style="list-style-type: none"> • The agent's name • "Agent for" (name of the employee's employer) • Agent's address 	<ol style="list-style-type: none"> 1. In the <u>W-2 box b</u> area - Use your agent's EIN. 2. In <u>W-2 box c</u> name & address area, please note the following: <ol style="list-style-type: none"> a. First line – enter your name b. Second line – enter, “Agent for”(name of Employer) c. Third line and thereafter – enter your full address
W-3	<p>The agent should submit all employer Forms W-2 Copy A under one W-3 transmittal.</p> <p>The one W-3 transmittal would include the summary W-2 Copy A information of:</p> <ul style="list-style-type: none"> • Your employees AND • The employees of the employers you represent as an agent AND • Any W-2s Copy A issued as “Agent for”(name of employer) 	<p>Enter your agent:</p> <ol style="list-style-type: none"> 1. EIN in <u>box e</u> of the W-3 2. Name in <u>box f</u> of the W-3. 3. Address in <u>box g</u> of the W-3. <p>In <u>box h</u> of the W-3, EIN of the employer you/your client are representing. If you are representing more than one employer, leave <u>box h</u> blank.</p>

Note: Please refer to IRS Revenue Procedure 70-6, 1970-1, C.B. 420, for complete filing instructions for “agents”. Also refer to IRS Publication 15-A, Employer's Supplemental Tax Guide.

Third-party Sick Pay

The correct reporting of third-party sick pay is as important to your employees as it is to us. The pay timing, nature and amount of those sick payments determines what portion of these payments are included in both Social Security wages and Medicare wages on the W-2. You or your third-party sick pay provider will need to determine who reports the information to SSA.

The type of business relationship you have contracted with the third-party sick pay payer will determine how you report information on the employee's W-2s Copy A, the W-3 transmittal, and how you complete and reconcile the quarterly 941s with the W-2s Copy A and W-3. This relationship will also determine who remits taxes withheld from the employee's pay and who pays the matching employer Federal Insurance Contributions Act (FICA) taxes.

What is Third-party Sick Pay?

Third-party sick pay is an amount paid under a plan to your employees who are absent from work due to sickness, illness or injury. It is usually paid by a third-party such as an insurance company. The sick pay discussed here is **NOT** the normal sick pay you pay your employees out of the payroll account for a missed day of work due to sickness.

Third-party sick pay does **NOT** include:

- ☐ Disability retirement
- ☐ Workers' compensation
- ☐ Medical expense payments
- ☐ Payments unrelated to absence from work

What is Taxable to Social Security Wages and Medicare Wages for Third-party Sick Pay, Who Reports it and Where is it Reported?

Determining what portion of the sick pay is taxable and who reports the wages and taxes depends on a number of factors. The following pages show the different parts (or steps) to help you determine your responsibility and the responsibility of your third-party sick pay payer.

Part I – What Part Of Third-Party Sick Pay Is Taxable?

A. TIMING - *When did your employee begin getting sick pay?* The timing of the benefits received is one part in determining the taxable base.

**** Depending on when your employee received third-party sick pay, it could be taxable.****

The basic rule is that Social Security and Medicare taxes (and Federal Unemployment Tax Act (FUTA) taxes) do **not** apply to sick pay paid more than 6 calendar months after the last calendar month in which the employee worked.

TIMING CALCULATION

- Step 1 On what date did your employee start receiving sick pay?
- Step 2 Round that date to the end of the month.
- Step 3 Add 6 months to that date.
- Step 4 (a) Amounts received by your employee on or before the date calculated in Step 3 **are** subject to Social Security and Medicare wage inclusion and **are** subject to those taxes (and FUTA wages).
- Step 4 (b) Amounts received after the date calculated in Step 3 **are NOT** subject to Social Security and Medicare taxes (nor FUTA).

B. PERCENTAGES - *Who paid the premiums for the third-party sick pay - employee, employer, or combination?* Determining the percentage of the premium paid by you, the employer, and/or the amount contributed by your employee determines the percentage to apply to the amount of sick pay.

**** The employer's percentage of the premium paid on the third-party sick pay plan is multiplied by the amount of sick pay to determine the taxable amount.****

Overall, the general rule is that if an employee pays for the sick pay plan, then the sick pay received in the time period noted in Step 4 (a) above is **NOT** Social Security and Medicare taxable nor included in the employee's Social Security and Medicare wages.

The **taxable portion of the third-party sick pay** for Social Security and Medicare wages and tax calculation would be the amount determined in step 4(a) of the Timing Calculation on the preceding page - **multiplied** by the employer's percentage rate as determined in the table below.





If	Then
Employee pays for all of the sick pay plan in after tax dollars (i.e. contributes to the plan, has money withheld from pay for the sick pay plan)	None of the third-party sick pay is included in Social Security and Medicare wages; nor is it taxable. The employer did <u>not</u> contribute to the sick pay received and none of the third-party sick pay is taxable.
Employee pays for any part of the sick pay plan in before tax dollars (pretax basis) (i.e. contributes to the plan, has money withheld from pay for the sick pay plan)	This is considered 100 percent employer paid and all of the sick pay received within the timing limitation as shown in Part I timing <u>IS</u> Social Security and Medicare wages and is Social Security and Medicare taxable.
Both the employer and employee (employee in after tax dollars) contribute to the sick pay plan	Obtain your percentage contribution for each of the last 3 years and use that percentage. <u>If the policy is not in effect for 3 years</u> Use your percentage of the cost of the premiums for the years the policy has been in effect. <u>If the policy is not in effect for a full year</u> Use a reasonable estimate of the percentage of your cost for the first policy year.

Part II – Who Pays The Taxes And Who Reports The Information?

After understanding what makes up the taxable portion of third-party sick pay, questions then arise about who withholds and deposits the taxes and who reports the third-party sick pay information. The answer depends on your contract and terms of agreement with the third-party sick pay provider.

TRANSFER OF LIABILITY - SPLIT RESPONSIBILITY Sometimes, the agreements with your third-party sick pay provider will determine who is responsible for withholding, depositing and reporting employee and employer Social Security and Medicare taxes.

If the third-party sick pay provider “transfers the liability” then the responsibility for withholding, depositing, and reporting Social Security and Medicare wage and tax data is split between your third-party sick pay provider and you, the employer.

If	Then
<p>Your third-party sick pay provider:</p> <p> makes the sick payments to your employees,</p> <p>AND</p> <p> withholds the employee portion of Social Security and Medicare taxes,</p> <p>AND</p> <p> deposits ONLY the employee portion of Social Security and Medicare taxes</p> <p>AND</p> <p> informs you timely of when the employee deposits were made so that you can pay the employer matching portion of employer Social Security taxes and Medicare taxes timely and without penalty.</p>	<p>The third-party sick pay provider has:</p> <p>“Transferred its liability” to the employer.</p> <p>This means that responsibilities are split between you and the third-party sick pay provider.</p> <p><u>The third-party sick pay provider</u> must withhold, deposit and report the <u>EMPLOYEES</u> Social Security and Medicare taxes.</p> <p>AND</p> <p><u>You must</u> deposit and report <u>your</u> matching Social Security and Medicare taxes.</p> <p>AND</p> <p><u>You must</u> issue the W-2 to the individual employees for third-party sick pay.</p>

REPORTING REQUIREMENTS - LIABILITY IS TRANSFERRED

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred	THE EMPLOYER'S RESPONSIBILITIES Liability IS transferred
W-2	<p>Third-party sick pay provider prepares a "<u>Third-party sick pay recap</u>" Form W-2.</p> <p>This is <u>one</u> W-2 that summarizes all the amounts paid to the employees of all clients as third-party sick pay. Individual W-2s are <u>NOT</u> issued by the third-party sick pay provider if "<u>liability was transferred.</u>"</p> <p>On the <u>one</u> "<u>third-party recap</u>" Form W-2:</p> <p>Box b <u>Employer Identification Number</u> - use the third-party sick pay provider's EIN.</p> <p>Box c <u>Employer's name and address</u> - use the third-party sick pay provider's name and address.</p> <p>Box e <u>Employee's first name and initial</u> - enter "THIRD-PARTY SICK PAY RECAP"</p> <p>Box 1 <u>Wage, tips, other compensation</u> - enter the total of the sick pay paid to clients' employees.</p> <p>Box 2 <u>Federal income tax withheld</u> - enter any federal income tax withheld from third-party sick pay by the third-party sick pay provider.</p> <p>Box 3 <u>Social Security wages</u> - enter the sick pay subject to employee Social Security tax.</p>	<p>As the employer, you are responsible for issuing the W-2 to the individual employees for third-party sick pay if "<u>liability was transferred</u>".</p> <p>You have the option of preparing one or two W-2s for the individuals that have sick pay. If issuing two W-2s: one is for regular wages and one W-2 is for sick pay.</p> <p>A Form W-2 <u>must</u> be prepared even if all the third-party sick pay is non-taxable.</p> <p>Box b <u>Employer Identification Number</u> - use your EIN.</p> <p>Box c <u>Employer's name and address</u> - use your name and address.</p> <p>Box e <u>Employee's first name and initial</u> - enter the individual's employee name.</p> <p>Box 1 <u>Wage, tips, other compensation</u> - enter any regular wages and the <u>TAXABLE</u> portion of any third-party sick pay payments as calculated in "<u>Part 1, Timing and Percentage.</u>"</p> <p>Box 2 <u>Federal income tax withheld</u> - enter any federal income tax withheld.</p> <p>Box 3 <u>Social Security wages</u> - enter Social Security wages from regular pay and the <u>TAXABLE</u> amount of the third-party sick pay as calculated in "<u>Part 1, What Part of Third-Party Sick Pay is Taxable?</u>"</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred	THE EMPLOYER'S RESPONSIBILITIES Liability IS transferred
W-2	<p>Box 4 Social Security tax - enter the Social Security tax withheld from employees' third-party sick pay by the third-party sick pay provider.</p> <p>Box 5 Medicare Wages - enter the sick pay subject to employee Medicare tax.</p> <p>Box 6 Medicare tax - enter the Medicare tax withheld from employees' third-party sick pay by the third-party sick pay provider.</p> <p>The third-party recap form is used by IRS and SSA to reconcile wages per the 941 or 943 to annual wage reporting on the W-2s and W-3.</p> <p>As part of the W-2 process when the third-party has "transferred its liability," the third-party sick pay provider MUST provide you a <u>Sick Pay Statement</u>.</p> <p>This <u>Sick Pay Statement must:</u></p> <ol style="list-style-type: none"> 1. Be issued to you by the third-party sick pay provider by January 15 for sick pay paid in the calendar year just ended. 2. Include the following: <ol style="list-style-type: none"> a. employee's name; b. employee's SSN if Social Security, Medicare and/or income taxes were withheld; c. amount of sick pay paid to the employee; d. amount of income taxes withheld; e. amount of Social Security tax withheld; and 	<p>Box 4 Social Security tax - enter the Social Security tax withheld from the employee's regular pay and the Social Security withheld from the employee's sick pay by the third-party sick pay provider.</p> <p>Box 5 Medicare Wages - enter the employee's regular Medicare wages from regular pay and the TAXABLE amount of the third-party sick pay as calculated in "<i>Part 1, What Part of Third-Party Sick Pay is Taxable?</i>"</p> <p>Box 6 Medicare tax - enter the Medicare tax withheld from the employee's regular pay and the Medicare tax withheld from the employee's sick pay by the third-party sick pay provider.</p> <p>Box 12 Codes - if applicable, use code J nontaxable sick pay. Show any sick pay not includible in income (and not shown in boxes 1, 3, and 5) because the employee contributed to the sick pay plan.</p> <p>Note: the amount in box 12 and the amount of third-party sick pay included in box 1 when combined should agree to the total third-party sick pay (taxable and nontaxable) your employee received. This reporting is required even if the entire amount of sick pay is nontaxable</p> <p>Box 13 Checkboxes - check the "Third-party sick" pay box.</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred	THE EMPLOYER'S RESPONSIBILITIES Liability IS transferred
W-2	f. amount of Medicare tax withheld;	Box 14 <u>Other</u> - you may use this box for any other information that you wish to provide your employees. For instance, with third-party sick pay information, you could type in the third-party provider's name.
W-3	<p>The third-party sick pay provider attaches the <u>W-2</u> third-party sick pay recap form to a separate <u>W-3</u> third-party sick pay recap form. <i>Remember this reporting for the W-3 is where the “liability was transferred” to the employer by the third-party sick pay provider.</i></p> <p>Prepare the <u>W-3</u> third-party sick pay recap form as indicated below.</p> <p>Complete only boxes b, e, f, g, 1, 2, 3, 4, 5, 6, and 13 of the W-3 form.</p> <p>Box b <u>Kind of payer</u> - check both the "Third-party sick pay" box and the "941" (or other applicable) box.</p> <p>Box c <u>Total number of Forms W-2</u> - only one W-2 should be attached which is the <u>W-2</u> third-party sick pay recap form.</p> <p>Box 13 <u>For third-party sick pay use only</u> - enter “Third-Party Sick Pay Recap” in this box.</p> <p>Box 14 <u>Income tax withheld by third-party sick pay payer</u> - Do NOT complete this box. The employer completes this box on his W-3.</p>	<p>You complete the W-3 summarizing the W-2 Copy A information.</p> <p>Remember this reporting for the W-3 is where the “liability was transferred” by the third-party sick pay provider.</p> <p>Box b <u>Kind of payer</u> - check both the "Third-party sick pay" box and the "941" (or other applicable) box.</p> <p>Box 13 <u>For third-party sick pay payer use only</u> - Do NOT complete this box</p> <p>Box 14 <u>Income tax withheld by third-party sick pay payer</u> - you complete this box on the W-3 only if you have employees who had income tax withheld on third-party payments of sick pay. Show the total income tax withheld by third-party payers on payments to all your employees. While this tax is also already included in box 2, it must be separately reported in this box 14.</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred	THE EMPLOYER'S RESPONSIBILITIES Liability IS transferred
941	<p><u>Must file Form 941</u> Because of the split reporting responsibilities, <u>line 9</u> must contain a special adjusting entry for Social Security and Medicare taxes.</p> <p>Third-party sick pay provider's responsibilities are to include the <u>employee</u> part of Social Security and Medicare taxes (and income tax if any withheld).</p> <p>Line 2 <u>Wages</u> - does NOT include any sick pay paid as third-party sick pay provider.</p> <p>Line 3 <u>Income tax withheld</u> - report the amount of income tax if any was withheld in the capacity of third-party sick pay provider.</p> <p>Line 6a <u>Taxable Social Security wages</u> - third-party sick pay provider enters amount subject to Social Security taxes which includes:</p> <ol style="list-style-type: none"> 1. wages paid to its own employees 2. amounts paid as third-party sick pay <p>Line 7a <u>Taxable Medicare wages and tips</u> - third-party sick pay provider enters amount subject to Social Security taxes which includes:</p> <ol style="list-style-type: none"> 1. wages paid to its own employees and 2. amounts paid as third-party sick pay 	<p><u>Must file Form 941</u> Because of the split reporting responsibilities, <u>line 9</u> must contain a special adjusting entry for Social Security and Medicare taxes.</p> <p>Line 2 <u>Wages</u> - include wages of third-party sick pay. (See IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting for what is included in federal wages.)</p> <p>Line 3, 4 & 5 <u>Income tax withheld and Adjustments</u> - employer does NOT complete these lines for third-party sick pay.</p> <p>Line 6a <u>Taxable Social Security wages</u> - include wages of third-party sick pay.</p> <p>Line 7a <u>Taxable Medicare wages and tips</u> - include wages of third-party sick pay.</p> <p>Line 8 <u>Total Social Security and Medicare taxes</u> - calculate the Social Security taxes and Medicare taxes then add lines 6b, 6d, and 7b.</p> <p>Line 9 <u>Adjustment of Social Security and Medicare taxes SICK Pay Box</u> - SUBTRACT the <u>employee</u> Social Security and Medicare taxes withheld and deposited by the third-party provider. <i>**Remember, you are responsible for the "employer's" share of matching Social Security and Medicare taxes.**</i></p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred	THE EMPLOYER'S RESPONSIBILITIES Liability IS transferred
941	Line 9 <u>Adjustment of Social Security and Medicare taxes</u> <u>SICK Pay Box</u> - third-party sick pay provider subtracts out the employer's share of Social Security and Medicare taxes.	
940	If liability is transferred to the employer, then third-party sick pay provider has no responsibilities for third-party sick pay on Form 940.	

Transfer of Liability – Optional Rule for Form W-2

If transfer of liability has occurred, you and the third-party sick pay provider may choose, through a legally binding contract, to agree to the third-party sick pay provider becoming your agent for purposes of preparing W-2s reporting sick pay.

- ➔ If this is agreed upon in writing, the third-party prepares the actual Forms W-2 and does not need to provide the sick pay statement to you.
- ➔ You would prepare the third-party pay recap forms for the W-2 and the W-3.

Please see the 2002 Instructions for Forms W-2 and W-3 as well as IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting, for specific reporting instructions.

LIABILITY IS NOT TRANSFERRED - THIRD-PARTY PROVIDER IS RESPONSIBLE

If the third-party sick pay provider does **NOT** transfer the liability, withholding, depositing, and reporting Social Security and Medicare wage and tax data on the sick pay (both the employee withholding and your matching portion) are the responsibility of the third-party.

If	Then
<p>Your third-party sick pay provider:</p> <p>Does not meet the requirements for <i>“transferring liability”</i> as explained earlier...</p>	<p>The third-party sick pay provider has:</p> <p>→ the responsibility of withholding and depositing Social Security taxes, Medicare taxes, and federal income taxes on the third-party sick pay of your employees;</p> <p>AND</p> <p>→ the responsibility of depositing your matching Social Security taxes and Medicare taxes, and your FUTA tax based on the third-party sick pay of your employees;</p> <p>AND</p> <p>→ the responsibility of completing the W-2s for your employees for the third-party sick pay amounts using his third-party sick pay payer name, address, and EIN.</p> <p>NOTE: When the third-party sick pay provider does <u>NOT</u> <i>“transfer liability”</i>:</p> <ul style="list-style-type: none"> • on the W-2, the third-party provider would check <u>box 13</u>, “Third-party sick pay.” • on the W-3, the third-party provider would check in <u>box b</u> the “Third-party sick pay” box. If more than one checkbox applies (i.e., this and the 941 checkbox,) file a <u>single</u> Form W-3 that contains the summarized W-2 information from both the regular and “Third-party sick pay” W-2s. <p>AND</p> <ul style="list-style-type: none"> • the third-party sick pay provider reports the sick pay on its own Form 941 and annual Form 940.

Please see the 2002 Instructions for Forms W-2 and W-3 as well as IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting, for specific reporting instructions.

CHAPTER 3: STANDARDS, SPECIFICATIONS AND EDITS

This Chapter provides standards, specifications and edits for preparing paper Forms W-3 and W-2 (Copy A) for SSA. These criteria are intended for two audiences - (1) employer human resource departments and (2) payroll tax software developers.

The guidelines include what data to compile, describe what these data should represent and specify certain characteristics that may identify suspect or incorrect data. Also included are which data to print in each Form W-2/W-3 box, data entry content requirements, data entry formats and edits that may identify suspect or incorrect entries.

The standards, specifications and edits that follow indicate that a box is either required or optional. If the data elements are required to be submitted to SSA for either (1) use by SSA for programmatic purposes and/or (2) accumulation and transmission to IRS for tax processing and enforcement purposes, the box on Forms W-3 and Copy A of Forms W-2 is identified as required. If the data elements are not required to be submitted to SSA, the box is identified as optional. However, these data elements still may be required on copies of Forms W-2 submitted to employees or state and local entities.

Form W-2**Purpose**

Form W-2, Copy A, tells the SSA that an individual associated with the given SSN had earnings and may be eligible for future benefits and payments. SSA posts the earnings and tax information to retirement accounts of the workers.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
				\$		\$	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				\$		\$	
				5 Medicare wages and tips		6 Medicare tax withheld	
				\$		\$	
d Employee's social security number				7 Social security tips		8 Allocated tips	
				\$		\$	
e Employee's first name and initial Last name				9 Advance EIC payment		10 Dependent care benefits	
				\$		\$	
				11 Nonqualified plans		12a See instructions for box 12	
				\$		\$	
				13 Statutory employee Retirement plan Third-party sick pay		12b	
				<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		\$	
				14 Other		12c	
						\$	
f Employee's address and ZIP code				12d		\$	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
		\$		\$		\$	
		\$		\$		\$	
				19 Local income tax		20 Locality name	
				\$			

Form W-2 Wage and Tax Statement (99)
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

2002
 (Rev. February 2002)
 Cat. No. 10134D

Department of the Treasury—Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

General Instructions on W-2 Preparation

1. Use either IRS official Forms W-2 or privately-printed substitute Forms W-2.
2. SSA accepts only Forms W-2 printed on 8 ½ inch by 11 inch paper.
3. All privately-printed substitute Forms W-2 must adhere to the specifications contained in IRS Publication 1141, Rules and Specifications for Private Printing of Substitute Forms W-2.
4. Software used to produce the Forms W-2 should automatically enter required information, such as employer and employee names, addresses, SSNs, or EINs, etc. This information should be obtained from verified information in an employer's personnel and company records and should not need to be reentered during preparation of each report.

5. Only alphabetic or numeric information should be entered. Invalid SSNs or EINs should be screened out.
6. Employee tax withholding amounts should be consistent with the taxable wages and rates for Social Security and Medicare.
7. Margins - Do not print, write, or enter any data in the margins of the form(s). These areas are used for control information during SSA's processing.
8. Printing the forms - Forms may be laser printed in black and white. These forms must comply with IRS Publication 1141. They require approval from SSA as detailed in Publication 1141.
9. All other printing of Forms W-2 will be in red Optical Character Recognition (OCR) dropout ink, except for the form identifying numbers "22222" at the top, the descriptive information at the bottom (including the TY) and the four corner register marks, which are to be printed in nonreflective black ink.
10. The font used to print data on Forms W-2 should be very dark 12-point courier.
11. Do **not** use script, inverted fonts, italics and/or dual case fonts when entering data on the forms.
12. Do **not** use inks that contain red pigment on forms that contain employer provided information.
13. Do **not** erase, whiteout, or strike over an entry.
14. Paper Requirements - Paper for privately-printed substitute forms (cut sheets and continuous pin feed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, 18-20 pound paper only, OCR bond with specific weight requirements. See IRS Publication 1141.
15. Data Entry - Entries on the Forms W-2 should be machine printed whenever possible.
16. The data entered must be presented in clear, dark images to guarantee optically scannable forms.
17. Insert data within the box. Do not go outside of boxed area when entering data.
18. Make all dollar entries **without** the dollar sign and **without** the comma but **use** the decimal point and show the cents portion of money amounts. If a box does not apply, leave it blank.

Form W-2 Copy A

Box a - Control number - Optional -
SSA prefers this number not print out on W-2 Copy A. Some employers use this box to identify individual Forms W-2. If you use this Box, please keep data within boxed area

Void - Required if applicable. This box must either be blank or contain an "X". Place an "X" in this box when an error is made on Form W-2 and voided because a new Form W-2 has been completed. Do NOT include any amounts shown on void forms in the totals entered on Form W-3

Box b - Employer identification number - Required -
Enter the 9 digit number assigned by the IRS 00-0000000

- Must be 10 positions
- Hyphen only in position 3
- All numerics except hyphen in position 3.
- Use the same EIN used in preparing Federal employment tax returns e.g. 940, 941 or 943.
- See Chapter 2: Special Considerations to see whether your Agent's number or third-party sick pay provider EIN is used in this box.
- See Chapter 4: "Common Errors Dos and Don'ts" for numbers that cannot be used.

Box c - Employer's name, address and ZIP code - Required -

- Show your full name, address & ZIP code.
- If an agent prepared the Form W-2, then use the agent's name, address, and ZIP code.
- See Chapter 2: Special Considerations, Agent Reporting for special reporting situations where even in an agent capacity the agent's full name and address would not be used.
- See Chapter 2: Special Considerations, Third-Party Sick Pay - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.
- Free-form.

Box e - Employee's first name and initial/Last name - Required -

- Enter the name as shown on the employee's Social Security card.
- Please review for accuracy.
- Format as first name, middle initial, in first half of box e and last name in the second half of box e.
- Exclude titles in prefixes or suffixes.
- Compound surnames must be connected with a hyphen or a blank space.
- See Chapter 4: "Common Errors Dos and Don'ts" for examples of how to and how not to report names.

Box d - Employee's Social Security number - Required -

- Enter the employee's SSN as shown on employee's Social Security card.
- Please review for accuracy.
- Must be 11 positions 000-00-0000
- Hyphen only in positions 4 and 7.
- Numeric in all positions except 4 and 7.
- See Chapter 4: "Common Errors Dos and Don'ts" for numbers that cannot be used.

Box f - Employee's address and ZIP code -Required -
Enter the employee's full address and ZIP code.

Form W-2 Copy A

a Control number		2222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
d Employee's social security number				5 Medicare wages and tips		6 Medicare tax withheld	
e Employee's first name and initial				7 Social security tips		8 Allocated tips	
Last name				9 Advance EIC payment		10 Dependent care benefits	
f Employee's address and ZIP code				11 Nonqualified plans		12a See instructions for box 12	
15 State Employer's state ID number				12b		12c	
16 State wages, tips, etc.				12d		12e	
17 State income tax				13 Statutory employee		14 Other	
18 Local wages, tips, etc.				15 Retirement plan		16 Third-party sick pay	
19 Local income tax				20 Locality name			

Form **W-2 Wage and Tax Statement** (99) **2002** Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. (Rev. February 2002) Cat. No. 10134D
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

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Box 1 Wages, tips, other compensation - Required - **Formatting**

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$"
- No commas ","
- Decimal point must be shown even when the entry is even dollars.
- Cannot be a negative amount.

Amounts

Show the total wages, tips, other compensation, you paid your employee during the year.
Calculate (excluding elective deferrals) (except section 501(c)(18) contributions), before any payroll deductions, the following:

1. Total wages paid during the year.
2. All tips reported, exclusive of those classified as allocated tips.
3. All non-cash payments (including fringe benefits).
4. All distributions from nonqualified deferred compensation plans and nongovernmental section 457 plans.
5. Cost of group term life insurance paid to employees in excess of \$50,000.
6. Reimbursements for employee expenses (accountable plan) exceeding amounts treated as substantiated.
7. Payments for employee expenses under a nonaccountable plan.
8. Employer contributions to Archer MSA - may be includable in the income of the employee (special rules apply).
9. Unless excludable under an educational assistance program - such as payments for non-job related education expenses.

Box 1 Wages, tips, other compensation (cont)

10. Cost of accident and health insurance premiums/benefits is included in the wages of S Corporation employee(s) who own more than 2 percent of the S Corporation (2 percent shareholder). Golden Parachute payments.
11. Employer contribution for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
12. Dependent care benefit amounts incurred on behalf of employees in excess of the \$5,000 exclusion.
13. All other compensation:
 - a) Nonqualified moving expenses
 - b) Certain scholarships or fellowships grants
 - c) Employee taxes paid by employer
14. Golden Parachute payments.
15. Sick pay - See Chapter 2: Special Considerations, Third-Party Sick Pay to determine taxability.
16. Taxable benefits from a section 125 cafeteria plan where employee chooses cash.
17. Employee contributions to Archer MSA - medical savings account through a payroll deduction plan.

Form W-2 Copy A**Box 2 Federal Income Tax Withheld** -Required, if applicable -

Show the total Federal income tax withheld from the employee's pay for the year.

Do not reduce the tax by any advance EIC payments made to the employee.

Include, if applicable, the 20 percent excise tax withheld on excess golden parachute payments.

Form W-2 Wage and Tax Statement (99) 2002
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 Department of the Treasury—Internal Revenue Service
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 Cat. No. 101340

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Box 3 - Social Security Wages – Required, based on type of employment -

- 1) See Box 1 (page 33) for dollar amount formatting.
- 2) For employment where wages are subject to the 6.2 percent Social Security tax.
- 3) The total of box 3 and box 7 cannot exceed the maximum Social Security taxable wage base amount of \$84,900 for year 2002. Enter the lesser of the gross taxable Social Security wage as calculated in 4 below or the maximum wage base of \$84,900 (less any amount in box 7).
- 4) Calculate the total Social Security wages paid (before payroll deductions).
 - a) This amount generally should represent all wages and other compensation included in box 1.
 - b) Deduct Social Security tips (box 7) included in box 1 and do not include any allocated tips (box 8).
 - c) Include elective deferrals to:
 - i) Certain qualified cash or deferred compensation arrangements not included in box 1.
 - ii) Retirement arrangements reported in box 12 (codes D, E, F, G, and S) that are not included in box 1.
 - d) Include both elective and non-elective deferrals for section 457 plans (reported in box 12 code H) if not already included.
 - e) Include SIMPLE (Savings incentive match plan for employees) retirement accounts where employees, through salary reduction, contributed to a SIMPLE retirement account.
 - f) Include adoption amounts paid or expenses incurred by employer for qualified adoption expenses which are not reported in box 1.
 - g) Certain scholarships/fellowships which may or may not have been included in box 1.
 - h) Deduct employer contribution for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
 - i) Third-party sick pay - amount to be included in Social Security wages generally differs from the amount included in box 1. See Chapter 2: Special Considerations to calculate.
- 5) Cannot include entry when type of employment is MQGE or Railroad Retirement Tax Act (RRTA).
- 6) If box 3 contains an entry, then box 4 must contain an entry and/or box 12 must contain an entry preceded by an alpha code of "M."
- 7) If box 3 contains an entry, then box 5 must contain an entry.

Form W-2 Copy A**Box 4 - Social Security tax withheld** - Required, based on type of employment -

1. See Box 1 (page 33) for dollar amount formatting.
2. For employment where wages are subject to the 6.2 percent Social Security tax.
3. Calculate the total employee Social Security tax (not the employer share) withheld for the employee up to a maximum of \$5,263.80 ($84,900 \times .062$). This includes Social Security tax withheld on tips.
4. The amount withheld should agree to the sum of boxes 3 and 7 multiplied by the Social Security tax rate of .062 but not to exceed \$5,263.80.
5. Cannot include entry when type of employment is MQGE or RRTA.

The image shows a Form W-2 Wage and Tax Statement for the year 2002. Red arrows point from the instructions in Box 4 to boxes 3, 7, and 4 on the form. Box 3 is 'Social security wages', Box 7 is 'Social security tips', and Box 4 is 'Social security tax withheld'. The form includes fields for control number, employer identification number, employer's name, employee's social security number, employee's first name and initial, employee's address, state, local wages, and taxes. The bottom of the form includes the text 'Form W-2 Wage and Tax Statement (99) 2002 Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. Department of the Treasury—Internal Revenue Service For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 10134D'.

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Box 5 - Medicare wages and tips - Required, based on type of employment -

1. See Box 1 (page 33) for dollar amount formatting.
2. For employment where wages and tips are subject to the 1.45 percent Medicare tax.
3. Generally, the wages and tips subject to Medicare tax are the same as those wages subject to Social Security tax (boxes 3 and 7) except that there is not a wage base limit for Medicare tax (some differences may occur for certain public sector employers).
4. See box 3 for what comprises gross Social Security taxable wages which is the total of box 3 and box 7 before applying the wage base limit.
5. Must be blank if type of employment is RRTA.
6. If box 5 contains an entry, then box 6 must contain an entry and/or box 12 must contain an entry preceded by an alpha "B" or "N."
7. This entry must equal or exceed the combined entries of boxes 3 and 7.

Box 6 - Medicare tax withheld - Required, based on type of employment -

1. See Box 1 (page 33) for dollar amount formatting.
2. For employment where wages and tips are subject to the 1.45 percent Medicare tax.
3. There is no limit on the amount of Medicare tax wages and tips that are subject to Medicare tax.
4. Amount cannot exceed 1.45 percent of the money amount entered in box 5.
5. Cannot contain an entry when the type of employment code is RRTA

Box 7 - Social Security tips - Required, based on type of employment -

1. See Box 1 (page 33) for dollar amount formatting.
2. Total of boxes 3 and 7 cannot exceed the 2002 Social Security taxable wage limit of \$84,900.
3. Report in box 7 the amount of Social Security taxable tips your employee received (don't include allocated tips).
4. Cannot contain an entry when the type of employment is MQGE or RRTA.
5. If box 7 contains an entry, then box 4 must contain an entry and/or box 12 must contain an entry with alpha code "A" and box 5 must have an entry.

Form W-2 Copy A**Box 9 - Advance EIC payment** - Required, if applicable -

1. See Box 1 (page 33) for dollar amount formatting.
2. Total amount you paid your employees during the year as advance EIC payment.
3. Amount cannot exceed **\$1,503.00**, the maximum advance payment allowed by employers to employees for year **2002**.
4. EIC does not decrease Social Security tax (box 4), Medicare tax (box 6) or Federal income tax (box 2).

Box 8 - Allocated Tips - Required, if applicable -

1. See Box 1 (page 33) for dollar amount formatting.
2. Do not include this amount in boxes 1, 3, 5, or 7.
3. This box used by large food and beverage establishments and should reconcile with amounts reported by employer on IRS Form 8027.

Box 10 - Dependent Care Benefits - Required, if applicable -

1. See Box 1 (page 33) for dollar amount formatting.
2. Show total dependent care benefits under a dependent care assistance program section 129 paid or incurred by you for your employee.
3. Include amounts paid or incurred for section 125 – cafeteria plan.
4. Report all amounts including those in excess of the \$5,000 exclusion.
5. These could include:
 - a) Benefits from pre-tax contributions made by employee to a section 125 dependent care flexible spending account.
 - b) Amount paid directly to a day-care facility by the employer or reimbursed to the employee to subsidize the benefit.
 - c) Fair market value of benefits provided by employer.

Box 11 - Nonqualified plans - Required, if applicable -

1. See Box 1 (page 33) for dollar amount formatting.
2. Box 11 is used by SSA to determine if any part of the amounts reported in boxes 1, 3 or 5 was earned in a prior year, which could affect the calculation of the Social Security earnings test and could affect the benefit calculation and payments.
3. Show distribution to an employee from a nonqualified plan or a nongovernmental section 457 plan in this box that is also included in box 1.
4. For amounts no longer subject to a substantial risk of forfeiture, show deferrals with earnings for a nonqualified plan or a section 457 plan that is taxable this year for Social Security (box 3) and Medicare (box 5) but represent services from a prior year.
5. Do not report in box 11 deferrals that are for current year services and are reported in boxes 3 and 5.
6. Make only one entry in this box unless you are a state or local agency who may have distributions for two types of plans.
7. State and local agencies must report distributions on Form 1099-R.

For further information, see Publication 957, "Reporting Back Pay and Special Wage Payments to the Social Security Administration" and Form SSA-131, "Employer Report of Special Wage Payments".

Form W-2 Copy A

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number		1 Wages, tips, other compensation \$		2 Federal income tax withheld \$	
c Employer's name, address, and ZIP code		3 Social security wages \$		4 Social security tax withheld \$	
d Employee's social security number		5 Medicare wages and tips \$		6 Medicare tax withheld \$	
e Employee's first name and initial		7 Social security tips \$		8 Allocated tips \$	
Last name		9 Advance EIC payment \$		10 Dependent care benefits \$	
f Employee's address and ZIP code		11 Nonqualified plans		12a See instructions for box 12 \$	
15 State Employer's state ID number		12b \$		12c \$	
16 State wages, tips, etc. \$		12d \$		12e \$	
17 State income tax \$		14 Other		18 Local wages, tips, etc. \$	
18 Local income tax \$		19 Local income tax \$		20 Locality name	

Form **W-2 Wage and Tax Statement** (99) **2002** Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. (Rev. February 2002) Cat. No. 10134D
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Box 12 - Codes / Deferred Compensation - Required, if applicable -

- See Box 1 (page 33) for dollar amount formatting.
- This box can contain up to 4 entries.
 - If more than 4 entries are required, then another W-2 Copy A must be printed for the remaining items for box 12 and again up to only 4 entries.
 - Each W-2 printed must have boxes b, c, d, e and f completed in addition to the remaining entries for box 12.
- Use the IRS codes which must be upper case alpha and either "A" through "H", "J" through "N", "P", "R" through "T" and/or "V".
 - Enter capital alpha code to the left of the vertical line and money amount to the right of the vertical line in boxes 12a-d.
 - Do not report any items in box 12 that are not listed as codes.
- Use box 14 for any items you want reported to your employees that are not reported in box 12.
- Codes:
 - "A" Uncollected Social Security or RRTA tax on tips.
 - "B" Uncollected Medicare tax on tips.
 - "C" Cost of group-term life insurance over \$50,000.
 - "D" Elective deferrals to a section 401(k) cash or deferred arrangement including SIMPLE retirement account.
 - "E" Elective deferrals under a section 403(b) salary reduction agreement.
 - "F" Elective deferrals under a section 408(k)(6) salary reduction Simplified Employee Pension (SEP).
 - "G" Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan for employees of state, local governments or tax-exempt organizations.
 - "H" Elective deferrals to a section 501(c)(18) (D) tax-exempt organization plan which is also included in box 1.
 - "J" Nontaxable sick pay – The portion of sick pay not included in income and not shown in boxes 1, 3, and 5. Even if 100 percent of sick payments are nontaxable, the nontaxable portion is shown in this box.
 - "K" Report the 20 percent excise tax on the excess golden parachute payments made to certain key corporate employees.
 - "L" Substantiated employee business expense reimbursements where the amount you reimbursed your employees for per diem or mileage allowance rates exceeds the amount treated as substantiated. Report the substantiated portion which is the nontaxable part.
 - "M" Uncollected Social Security or RRTA tax on cost of group-term life insurance over \$50,000 for former employees.
 - "N" Uncollected Medicare tax on cost of group-term life insurance over \$50,000 for former employees.
 - "P" Excludable moving expense reimbursements paid directly to employee.
 - "R" Employer contributions to an Archer MSA.
 - "S" Employee salary reduction contributions under a section 408(p) SIMPLE.
 - "T" Adoption benefits – show the total you paid or reimbursed for qualified adoption expenses given to your employee under an adoption assistance program, including those amounts in excess of \$10,000 exclusion.
 - "V" Income from the exercise of nonstatutory stock options - show spread of fair market value over exercise price of options.

Form W-2 Copy A**Box 13 - Checkboxes** - Required, if applicable -

1. Must contain an "X" in the box(es) that apply.
2. Mark all checkboxes that apply.
3. Statutory employee -
 - a) Employee has earnings that are subject to Social Security and Medicare tax withholding but is not subject to Federal income tax withholding.
 - b) See IRS Publication 15-A for more information on statutory employees.
4. Retirement plan -
 - a) Employee was an "active participant" during any part of the year in a qualified retirement plan.
 - b) Do not mark this checkbox for contributions made to a nonqualified or section 457 plan.
 - c) See IRS Publication 590 for additional information on the active participant rules.
5. Third-party sick pay -
 - a) Mark this checkbox only if you are a third-party sick pay payer filing a Form W-2 for an insured employee.
 - b) See Chapter 2: Special Consideration for additional information and resources on this subject matter.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number		1 Wages, tips, other compensation \$		2 Federal income tax withheld \$	
c Employer's name, address, and ZIP code		3 Social security wages \$		4 Social security tax withheld \$	
		5 Medicare wages and tips \$		6 Medicare tax withheld \$	
		7 Social security tips \$		8 Allocated tips \$	
d Employee's social security number		9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial Last name		11 Nonqualified plans \$		12a See instructions for box 12 \$	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b Health insurance <input type="checkbox"/> \$	
		14 Other <input type="checkbox"/>		12c Life insurance <input type="checkbox"/> \$	
				12d Other <input type="checkbox"/> \$	
f Employee's address and ZIP code		15 State Employer's state ID number		16 State wages, tips, etc. \$	
		17 State income tax \$		18 Local wages, tips, etc. \$	
		19 Local income tax \$		20 Locality name	

Form W-2 Wage and Tax Statement (99)
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.
 2002 (Rev. February 2002)
 Cat. No. 10134D
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Box 14 - Other - Optional -

1. Not required by SSA.
2. This box is for the employer's use for any information you want to provide to your employees.
3. The lease value of a vehicle provided to your employee and shown in box 1 must be reported here unless you submit a separate statement to your employee.
4. Each item listed must be labeled.
5. Examples of item for this box are:
 - a) State disability insurance taxes withheld;
 - b) Union dues, uniform payments;
 - c) Health assistance payments; and
 - d) Certain contributions to a pension plan not shown in box 12

Box 15 through 20 - State or local income tax information -

Optional -
Not required by SSA.

Form W-3**Purpose**

Form W-3 is filed only if paper W-2s are filed.

Form W-3 has two purposes:

1. It is a summary sheet and contains the summarized totals of all the W-2 Copy A information.
2. It serves as a transmittal sheet in sending the W-2 Copy A information to SSA.

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a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	1 Wages, tips, other compensation	2 Federal income tax withheld
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.	<input type="checkbox"/> Third-party sick pay	<input type="checkbox"/> Social security wages
c Total number of Forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number				7 Social security tips	8 Allocated tips
f Employer's name				9 Advance EIC payments	10 Dependent care benefits
				11 Nonqualified plans	12 Deferred compensation
				13 For third-party sick pay use only	
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person				Telephone number	For Official Use Only
E-mail address				Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3 Transmittal of Wage and Tax Statements**

2002

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

General Instructions on W-3 Preparation

1. Generally, the same instructions for preparation of Form W-2 also apply to the preparation of Form W-3.
2. Use either the IRS official Form W-3 or a privately-printed substitute Form W-3.
3. SSA accepts only Forms W-3 printed on 8 1/2 inch by 11 inch paper.
4. Software must not permit generating W-3 entries before all corresponding W-2 entries are prepared.

5. The W-3 report which corresponds to Forms W-2 Copy A must reflect the aggregate W-2 money amounts.
6. Make sure the same TY is shown on both Forms W-3 and W-2 Copy A.
7. Use W-3 control totals to match and reconcile the annual sum of quarterly line item amounts reported on IRS Form 941 or 943. The data on Form W-3 should balance with Forms W-2 and the total of the quarterly 941s.
8. Ensure that a Form W-3 accompanies each "Kind of Payer" group of W-2s submitted.
9. All privately-printed substitute Forms W-3 must adhere to the specifications contained in IRS Publication 1141, Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3.
10. Margins - Do not print, write or enter any data in the margins of Form W-3. These areas are used for control information during SSA's processing.
11. Printing the Forms - Forms may be laser printed in black and white. These forms must comply with IRS Publication 1141. They require approval from SSA as detailed in Publication 1141.
12. All other printing of Forms W-3 will be in red OCR dropout ink except for the form identifying numbers "33333" at the top and the descriptive information at the bottom (including "W-3" and TY) which would be printed in nonreflective black ink.
13. The font used to print data on Forms W-3 should be very dark 12 point courier.
14. Do not use script, inverted font, italics and/or dual case fonts when entering data on the forms.
15. Do not use inks that contain red pigment on forms that contain employer provided information.
16. Do not erase, whiteout, or strike over an entry.
17. Paper Requirements - Paper for privately-printed substitute forms (cut sheets and continuous pin feed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, 18-20 pound paper only, OCR bond with specific weight requirements. See IRS Publication 1141.
18. Data Entry - Entries on the Forms W-3 should be machine printed whenever possible.
19. The data entered must be presented in clear, dark images to guarantee optically scannable forms.
20. Insert data within the box. Do not go outside of boxed area when entering data.
21. Make all dollar entries without the dollar sign and without the comma, but use the decimal point and show the cents portion of money amounts. If a box does not apply, leave it blank.

Form W-3

DO NOT STAPLE OR FOLD

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	<input type="checkbox"/> 941 Military	<input type="checkbox"/> 943 Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.	<input type="checkbox"/> Third-party sick pay	1 Wages, tips, other compensation
	<input type="checkbox"/> CT-1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2 Federal income tax withheld
					3 Social security wages
					4 Social security tax withheld
c Total number of Forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number				7 Social security tips	8 Allocated tips
f Employer's name				9 Advance EIC payments	10 Dependent care benefits
				11 Nonqualified plans	12 Deferred compensation
				13 For third-party sick pay use only	
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person				Telephone number	For Official Use Only
E-mail address				Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3 Transmittal of Wage and Tax Statements** **2002**
 Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
 Photocopies are not acceptable.

Department of the Treasury
 Internal Revenue Service

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Complete the following Form W-3 boxes based on the W-2 Statements.

- Do not include in total any amounts from "Void" W-2 forms.
- The totals in each W-3 box must equal the total combined entries of the W-2 forms.

Box 1 Wages, tips, other compensation - Required - Must equal the total combined entries in box 1 of the W-2 forms.

Box 2 Federal income tax withheld - Required - Must equal the total combined entries in box 2 of the W-2 forms.

Box 3 Social Security wages - Required, if applicable - Must equal the total combined entries in box 3 of the W-2 forms. Cannot include an entry when "Kind of payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.

Box 4 Social Security tax withheld - Required, if applicable - Must equal the total combined entries in box 4 of the W-2 forms. Cannot include an entry when "Kind of payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp. Must contain an entry if box 3 contains an entry.

Box 5 Medicare wages and tips - Required, if applicable - Must equal the total combined entries in box 5 of the W-2 forms. Cannot include an entry when "Kind of payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.

Box 6 Medicare tax withheld - Required, if applicable - Must equal the total combined entries in box 6 of the W-2 forms. Cannot include an entry when "Kind of payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp. Must contain an entry if box 5 contains an entry.

Box 7 Social Security tips - Required, if applicable - Must equal the total combined entries of box 7 of the W-2 forms. Cannot include an entry when "Kind of payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.

Box 8 Allocated tips - Required, if applicable - Must equal the total combined entries in box 8 of the W-2 forms.

Box 9 Advance EIC payments - Required, if applicable. Must equal the total combined entries in box 9 of the W-2 forms.

Box 10 Dependent Care Benefits - Required, if applicable. Must equal the total combined entries in box 10 of the W-2 forms.

Form W-3

Box a - Control number - Optional - SSA prefers this number not print out on the W-3. Some employers use this box for recordkeeping purposes. If you use this box, please keep data within boxed area.

Box d - Establishment Number - Optional - Not required by SSA.

1. If used, may only be 4 position entry made up of either alpha and/or numeric.
2. May be used by employer to identify separate establishments within the business.

Box c - Total Number of Forms W-2

- Required -

1. Must be numeric.
2. Must contain the total number of completed individual W-2 forms being sent with the W-3 transmittal.
3. Do **NOT** include "Voided" W-2 forms in the count.

DO NOT STAPLE OR FOLD

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer		<input type="checkbox"/> 941 <input type="checkbox"/> Military <input type="checkbox"/> 943 <input type="checkbox"/> CT-1 <input type="checkbox"/> Hshld. emp. <input type="checkbox"/> Medicare govt. emp. <input type="checkbox"/> Third-party sick pay		1 Wages, tips, other compensation \$ 2 Federal income tax withheld \$ 3 Social security wages \$ 4 Social security tax withheld \$ 5 Medicare wages and tips \$ 6 Medicare tax withheld \$ 7 Social security tips \$ 8 Allocated tips \$ 9 Advance EIC payments \$ 10 Dependent care benefits \$ 11 Nonqualified plans \$ 12 Deferred compensation \$ 13 For third-party sick pay use only \$ 14 Income tax withheld by payer of third-party sick pay \$	
c Total number of Forms W-2		d Establishment number			
e Employer identification number					
f Employer's name					
g Employer's address and ZIP code					
h Other EIN used this year					
15 State		Employer's state ID number		16 State wages, tips, etc. \$ 17 State income tax \$ 18 Local wages, tips, etc. \$ 19 Local income tax \$	
Contact person		Telephone number ()		For Official Use Only	
E-mail address		Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶

Title ▶

Date ▶

Form **W-3 Transmittal of Wage and Tax Statements**

2002

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Box b - Kind of Payer - Required -

1. This box is used to indicate the type of employment reported on the attached W-2s.
2. Most companies only have one "Kind of payer." If you have more than one, then you must group the W-2s Copy A by each kind of payer and send with a separate Form W-3 to SSA.
3. Must contain an "X" in the box that applies and can contain only one "X" unless the second "X" is for third-party sick pay.
4. Kind of payers:
 - a) Agricultural - (943)
 - b) Household - (Hshld emp.) - even with just one household employee, a W-2 & W-3 must be filed.
 - c) Military - (Military)
 - d) Medicare govt emp - (Medicare govt emp.) - for employees subject only to the 1.45 percent Medicare tax-state/local agency.
 - e) Railroad (RRTA) - (CT-1)
 - f) Third-party sick pay - (Third-party sick pay) - if you are required to check box 13 on Form W-2. This is the only box that may be marked in conjunction with one of the other boxes.
 - g) 941 - (941) - the majority of employers fall within this "Kind of payer" and have to file quarterly 941 form.

Form W-3**Box e - Employer identification Number - Required -**

1. Must be the same EIN used in W-2 box b for the W-2s being reported as well as being the same EIN used in preparing federal Forms 940, 941, and/or 943.
2. Enter the 9 digit number assigned by the IRS 00-0000000
 - a) Must be 10 positions.
 - b) Hyphen only in position 3.
 - c) Numerics only in positions 1, 2 and 4 through 10.
 - d) See Chapter 2: Special Considerations to see whether your agent's number or third-party sick pay provider EIN is used in this box.
 - e) See Chapter 4: Common Errors Dos and Don'ts for numbers that cannot be used.

Box f - Employer's name - Required

1. Must match the name entered in box c of the W-2s being reported.
2. Show your full name
 - a) If an agent prepared the Form W-2, then use the agent's name.
 - b) See Chapter 2: Special Considerations regarding third-party sick pay reporting - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 <input type="checkbox"/> Military CT-1 <input type="checkbox"/> Hybrid emp. 943 <input type="checkbox"/> Medicare govt. emp. Third-party sick pay <input type="checkbox"/>	c Total number of Forms W-2		d Establishment number
e Employer identification number		f Employer's name	
g Employer's address and ZIP code		h Other EIN used this year	
15 State		Employer's state ID number	
1 Wages, tips, other compensation		2 Federal income tax withheld	
3 Social security wages		4 Social security tax withheld	
5 Medicare wages and tips		6 Medicare tax withheld	
7 Social security tips		8 Allocated tips	
9 Advance EIC payments		10 Dependent care benefits	
11 Nonqualified plans		12 Deferred compensation	
13 For third-party sick pay use only			
14 Income tax withheld by payer of third-party sick pay			
16 State wages, tips, etc.		17 State income tax	
18 Local wages, tips, etc.		19 Local income tax	
Contact person		Telephone number	
E-mail address		Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶

Title ▶

Date ▶

Form **W-3 Transmittal of Wage and Tax Statements****2002**Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Box g - Employer's address and ZIP code - Required -

1. Must be the same address and ZIP code entered in box c of the Forms W-2 being reported.
 - a) If an agent prepared the Form W-2, then use the agent's name (Box f) and address.
 - b) See Chapter 2: Special Considerations regarding third-party sick pay reporting - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.

Box h - Other EIN used this year - Required, if applicable -

1. Cannot match the EIN in box e.
2. Required entry if, during the year, you used an EIN (including a prior owner's EIN) on Form 941 or 943 that is different from the EIN in box e above.
3. Entry should be shown as 10 positions
 - a) Hyphen only in position 3
 - b) Numeric only in positions 1, 2 and 4 through 10.
4. See Chapter 2: Special Considerations - if an agent prepared the Forms W-2 for only one employer, (other than itself) enter employer's EIN in this box; otherwise, leave this box blank.

Form W-3**Box 11 - Nonqualified plans** - Required, if applicable -

1. Must equal the total combined entries of box 11 of the W-2 forms.
2. Do not enter a code.

Box 12 - Deferred Compensation - Required, if applicable -

1. Must enter one total of all amounts reported with Codes D-H and S in box 12 on Forms W-2.
2. Do not enter a code.
3. Do not include in the total amounts for Codes A- C, J- R, T and V.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 Military <input type="checkbox"/> 943 Civilian <input type="checkbox"/> 942 Nonprofit <input type="checkbox"/> 944 Other <input type="checkbox"/>		1 Wages, tips, other compensation \$	2 Federal income tax withheld \$
c Total number of Forms W-2		3 Social security wages \$	4 Social security tax withheld \$
d Establishment number		5 Medicare wages and tips \$	6 Medicare tax withheld \$
e Employer identification number		7 Social security tips \$	8 Allocated tips \$
f Employer's name		9 Advance EIC payments \$	10 Dependent care benefits \$
g Employer's address and ZIP code		11 Nonqualified plans \$	12 Deferred compensation \$
h Other EIN used this year		13 For third-party sick pay use only	
15 State Employer's state ID number		14 Income tax withheld by payer of third-party sick pay \$	
Contact person		16 State wages, tips, etc. \$	17 State income tax \$
E-mail address		18 Local wages, tips, etc. \$	19 Local income tax \$
Telephone number ()		For Official Use Only	
Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

W-3 Transmittal of Wage and Tax Statements 2002
 Form **W-3**
 Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
 Photocopies are not acceptable.
 Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Boxes 15-19 - State tax information - Optional -
 Not required by SSA

Box 13 - For third-party sick pay use only - Required, if applicable -

1. Third-party payers of sick pay filing third-party sick pay recap Forms W-2 and W-3 must enter "Third-Party Sick Pay Recap" in this box.
2. See Chapter 2: Special Considerations for more information.
3. Employers using the optional rule for Form W-2 would complete this box.

Box 14 - Income tax withheld by third-party sick pay payer - Required if applicable -

1. Must be completed if you have employees who had income tax withheld on third-party payments of sick pay.
2. This tax must be shown separately here even though it is also included in box 2.

Contact person, telephone number, fax number and e-mail address - Optional -

Please complete this information.
 SSA may contact you if questions arise during processing of your W-2 and W-3 information.

CHAPTER 4: COMMON ERRORS DOS AND DON'TS

Section Overall

Common errors made:

- Omitting an SSN or using an invalid SSN.
- Omitting an EIN or using an invalid EIN.
- Omitting an employee's name or using an employee's name that does not agree with the name on the employee's Social Security card.
- Not submitting wage reports to SSA when terminating a business.
- Treating employees as independent contractors and not filing the correct form (a W-2) to report their earnings to SSA.
- Not filing a W-2 on wages for household workers.
- Not issuing Forms W-2 for wages under \$600.
- Filing a Form W-2 when you should have filed a corrected Form W-2c to correct previously reported wage information.
- Submitting Forms W-2 without the transmittal W-3 form.
- Submitting Forms W-2 and/or W-3 with incorrect TY.
- Using Forms W-2 or W-3 that are not standard and not in compliance with prevailing rules and regulations.
- Preparing Forms W-2 and/or W-3 that are not machine readable/scannable by our imaging equipment.
- Mailing the Forms W-2 Copy A and W-3 to the incorrect Government agency (W-2 copy A and W-3 are remitted to SSA).
- Creating out-of-balance conditions between the Form W-2 amounts and either the W-3 summary totals or the sum of the four quarterly Form 941 reports or Annual Form 943.
- Inappropriately marking the "Retirement plan" checkbox in box 13.

Section Data entry

Common errors made:

- Using ink that is too light for data entries (must use very dark nonreflective black ink). Do not use inks that contain red pigment on forms that contain employer provided information.
- Not using the correct size of print (font used to print data on the forms should be a 12-point courier).
- Using script, inverted font, italics and/or dual case fonts when preparing the forms.

Section
Boxes that contain
amounts

Common errors made:

- Using dollar signs, or commas in amount boxes (No “\$” or “,” are to be used in amount fields).
 - Not using decimal points (decimal point must be shown even when the entry is even dollars).
 - Showing negative amounts (no entry may be a negative amount).
 - Putting zeros in a box to indicate no dollar amount (when the amount is zero, leave the box blank).
-

Section
Employer Identification
Number (EIN)

Common errors made:

- Using an incorrect EIN and/or not using the correct format for EIN, which is 10 positions, all numerics and one hyphen in position 3. Format should be 00-00000000.
 - Using invalid numbers as part of the EIN. The first 2 left most positions cannot be 00, 07, 08, 09, 17, 18, 19, 28, 29, 49, 69, 70, 78, 79, 89.
 - Using an invalid EIN. The EIN cannot be 12-3456789 as this number has not been assigned.
-

Section
Employee Social
Security Number (SSN)

Common errors made:

- Using an incorrect SSN and/or not using the correct format for SSN, which is 11 positions, all numerics and 2 hyphens in positions 4 and 7. Format should be 000-00-0000.
- Using invalid numbers as part of the SSN. The first 3 left-most positions cannot be 000, 666, 729 through 749, or 773 through 999.
- Using invalid SSNs. The SSN cannot be 111-11-1111, 333-33-3333, 123-45-6789.

Section**Employee Name****Common errors made:**

- Not displaying the name correctly.

- DO:** Match the name on the W-2 to the name shown on the employee's Social Security card.
- DO:** Connect compound surnames with a hyphen or a blank space.
- DO:** Connect single letter prefixes, i.e., "O" or "D" with the rest of the surname or join with an apostrophe.
- DON'T:** Include titles in prefixes such as Doctor, Dr. , Captain, Mr., Mrs., etc.
- DON'T:** Include titles in suffixes such as Senior, Junior, II, III, MD, Ph.D. etc.

The following are examples of how to properly display names on the W-2: The first column "name" is an example of a name. The second and third columns show how the name should be correctly entered on the W-2.

Name	W-2 (first half of box e) First name, middle initial	W-2 (second half of box e) Last name
Susan B. Smith Johnson	Susan B	Smith-Johnson or Smith Johnson
Anthony D'Angelo (no middle name)	Anthony	D'Angelo or DAngelo
Grace H. O'Malley	Grace H	O'Malley or OMalley
Maria Mercedes Sancho Davila	Maria M	Sancho-Davila or Sancho Davila
Maria Rodriguez de Perez (no middle name)	Maria	Rodriguez-de-Perez or Rodriguez de Perez
Maria Elena Rodriguez-de-Perez	Maria E	Rodriguez-de-Perez or Rodrigues de Perez
Diego Garcia-y-Vega (no middle name)	Diego	Garcia-y-Vega or Garcia y Vega
Jose Ramon Lopez Gonzales	Jose R	Lopez-Gonzales or Lopez Gonzales
Ivan Ramirez Arellano (no middle name)	Ivan	Ramirez-Arellano or Ramirez Arellano
Catherine L. Smith Le May	Catherine L	Smith-Le-May or Smith Le May
Majed S. El Alami	Majed S	El-Alami or El Alami

CHAPTER 5:

REPORTING EXAMPLES FOR PREPARING PAPER FORMS W-2, W-3 AND 941

Introduction

This chapter provides examples of proper/improper paper reporting. We included examples of correctly and incorrectly prepared reports. The incorrect reports contain errors that could have been prevented if the software used to prepare them complied with the specifications and edits. Documents covered include:

- Form W-2, Wage and Tax Statement;
- Form W-3, Transmittal of Wage and Tax Statements; and
- Form 941, Employer's Quarterly Federal Tax Return.

Inquiries

Please contact your regional ELSO, as listed in Appendix B, if you have questions about the examples and information in this chapter. If you have tax questions or questions on tax law and regulations (including Form 941), call the IRS Information Reporting Program Call Site at 866-455-7438 (Toll Free) or 304-263-8700 (Not a Toll Free Number). If you have suggestions for improving this chapter, write to the address on page 14.

What is the Social Security and Medicare Tax Amount?

You must compute employee withholding and employer matching contributions separately for Social Security and Medicare. The following table shows the Social Security and Medicare tax rates and wage bases for TY 2002.

**Social Security and Medicare
Table of Tax Rates and Wage Bases
TY 2002**

<u>Federal Program</u>	<u>Taxable Earnings</u>	<u>Employee Withholding</u>	<u>Employer's Matching Contribution</u>	<u>Combined FICA Rate</u>
Social Security	\$ 84,900	6.20%	6.20%	12.40%
Medicare	All*	1.45%	1.45%	02.90%
Total FICA Rate		7.65%	7.65%	15.30%

* There is no limit on the amount of wages and tips that are subject to Medicare tax.

Examples

We have provided examples to illustrate various reporting situations. These examples will provide information for the Cabot Cove School District in TY 2002. The scenarios display the following information:

- Part 1 : Employer Wage and Tax Deposit Data - Forms 941, W-3 and W-2;
- Part 2 : Employee Wage and Tax Statements - Forms W-3 and W-2; and
- Exhibits: Payroll Register Data Tables.



CAUTION: The SSNs and EINs in the examples are intentionally invalid. Please refer to Chapter 4: Common Error's - Dos and Don'ts, for the current list of invalid numbers.

EXHIBITS: PAYROLL REGISTER DATA TABLES

The following exhibits are data tables of information from Cabot Cove's payroll register. This information provides the base data for the case scenario. The Cabot Cove School District employs individuals who earn:

- Wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees);
- Wages subject to only the 1.45 percent Medicare tax (MQGE employees); and
- Wages exempt from the 6.2 percent Social Security tax and 1.45 percent Medicare tax (FICA-exempt employees).

Cabot Cove's EIN is 00-5678910. The information in Exhibit 1 on the next page contains summary employee information from Cabot Cove's payroll register. In addition, the exhibits on pages 52 through 55 illustrate wage and tax data for Cabot Cove on a quarterly basis and page 56 summarizes Cabot Cove's payroll on an annual basis.

Exhibit 1
Summary Employee Information
Cabot Cove School District

<i>Name (first, middle, last)</i>	<i>Name as shown on SS Card and <u>Payroll Register</u></i>	<i>SSN</i>	<i>Employment Type</i>
Elizabeth Lee Strosnider	Elizabeth L. Strosnider	000-01-0101	FICA
Diego Garcia-y-Vega	Diego Garcia y Vega	000-56-7890	FICA
Alfredo Giuseppe Richardo Marano	Alfredo G. R. Marano	000-67-8901	MQGE
Tae-Jin Kim	Tae-Jin Kim	000-89-0123	FICA
Jose Schaeffer	Jose Schaeffer	000-78-9012	FICA
Lois Germaine Sheppard	Lois G. Sheppard	000-90-1234	FICA
John R. McNamara ¹	John R. McNamara	000-45-6789	MQGE/FICA
Mary V. Smith	Mary V. Smith	000-23-4567	FICA-Exempt
Thomas J. Mason ²	Thomas J. Mason	000-78-9012	FICA
Samuel L. Johnson ³	Samuel L. Johnson	000-21-0987	FICA/Retired
Nicole Craig	Nicole Craig	000-54-3210	FICA/Retired and Active

¹ From January 1 through June 30, 2002, John R. McNamara earned MQGE wages subject to only Medicare tax. Effective July 1, 2002, Mr. McNamara was subject to full-FICA coverage.

² Thomas J. Mason is 45 years old. He elected to be covered by GTLI. His insurance coverage is \$150,000.

³ Samuel Johnson is a retired employee who elected to be covered by GTLI after retirement. His insurance coverage is \$125,000.

FIRST QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 000- 56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active	9,709.80					9,709.80	1,941.96	9,709.80	602.01	9,709.80	140.79
Lois G. Sheppard 000-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 000-45-6789	MQGA Active	15,125.00					15,125.00	3,025.00		-	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 000-21-0987	FICA Retired											
Nicole Craig 000-54-3210	FICA Active	15,000.00		300.00			14,700.00	2,940.00	15,000.00	930.00	15,000.00	217.50
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	0.00	0.00	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	97,260.88	1,008.75	300.00	0.00	0.00	97,969.63	19,593.93	98,269.63	6,092.72	98,269.63	1,424.91
First Quarter Total		139,885.88	1,008.75	300.00	0.00	0.00	140,594.63	28,118.93	98,269.63	6,092.72	126,894.63	1,839.97

**SECOND QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 000- 56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active	6,473.20		2,666.67 SK PAY	1,600.00 *	1,600.00 *	8,073.20	1,614.64	8,073.20	500.54	8,073.20	117.06
Lois G. Sheppard 000-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 000-45-6789	MQGA Active	15,125.00					15,125.00	3,025.00		-	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 000-21-0987	FICA Retired						0.00		0.00	-		-
Nicole Craig 000-54-3210	FICA Active	15,000.00		300.00		50,000.00	14,700.00	2,940.00	65,000.00	4,030.00	65,000.00	942.50
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	0.00	0.00	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	94,024.28	1,008.75	2,966.67	1,600.00	51,600.00	96,333.03	19,266.61	146,633.03	9,091.25	146,633.03	2,126.18
Second Quarter Total		136,649.28	1,008.75	2,966.67	1,600.00	51,600.00	138,958.03	27,791.61	146,633.03	9,091.25	175,258.03	2,541.24

* Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove assumed responsibility for reporting the sick pay wages.

Benefit payments Mr. Schaeffer received for the second quarter is \$2,666.67.

Taxable portion of the sick payment: \$2,666.67 X .6+\$1,600.00.

Cabot Cove adjusted on line 9 of their 941 Form for \$122.40 of employee taxes not withheld on sick pay (\$1,600.00 X .0765 = \$122.40).

**THIRD QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 000- 56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	16,900.00	1,047.80	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active - SK			8,000.00 SK PAY	4,800.00 *	4,800.00 *	4,800.00	960.00	4,800.00	297.60	4,800.00	69.60
Lois G. Sheppard 000-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 000-45-6789	FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 000-21-0987	FICA Retired						0.00			-	0.00	-
Nicole Craig 000-54-3210	FICA Retired			4500.00			0.00	0.00		-	0.00	-
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	72,551.08	1,008.75	12,500.00	4,800.00	4,800.00	78,359.83	15,671.97	61,259.83	3,798.11	78,359.83	1,136.22
Third Quarter Total		115,176.08	1,008.75	12,500.00	4,800.00	4,800.00	120,984.83	24,196.97	76,384.83	4,735.86	106,984.83	1,551.28

* Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove assumed responsibility for reporting the sick pay wages.

Benefit payments Mr. Schaeffer received for the second quarter is \$8,000.00.

Taxable portion of the sick payment: \$8,000.00 X .6 = \$4,800.00

Cabot Cove adjusted on line 9 of their 941 Form for \$367.20 of employee taxes not withheld on sick pay (\$4,800.00 X .0765 = \$367.20).

*Nicole Craig withdrew \$4,500 from the NQDCP. As a governmental entity Cabot Cove must report this distribution on IRS Form 1099-R and not in current year wages.

**FOURTH QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.94
Diego Garcia y Vega 000- 56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.01	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	0.00	-	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active - SK			8,000.00 SK PAY - P1	4,800.00 *	3,200.00 **	4,800.00	960.00	3,200.00	198.40	3,200.00	46.40
Lois G. Sheppard 000-90-1234	FICA Active - WC	4,576.76		2,000.00 SK PAY - P2			4,576.76	915.35	4,576.76	283.77	4,576.76	66.37
John R. McNamara 000-45-6789	MQGE/FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00		150.00 LIFE INS	150.00	150.00	12,650.00	2,500.00	12,650.00	784.30	12,650.00	183.43
Samuel L. Johnson 000-21-0987	FICA Retired			387.00 LIFE INS	387.00	387.00	387.00		387.00		387.00	
Nicole Craig 000-54-3210	FICA Retired			4500.00			0.00	0.00		-		-
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	70,262.76	1,008.75	15,037.00	5,337.00	3,737.00	76,608.51	15,214.30	41,008.51	2,518.53	75,008.51	1,082.01
Fourth Quarter Total		112,887.76	1,008.75	15,037.00	5,337.00	3,737.00	119,233.51	23,739.30	56,133.51	3,456.28	103,633.51	1,497.07

SICK PAY - P1: Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove is responsible for reporting sick pay wages and the employer's portion of FICA.

Benefit payments Mr. Schaeffer received for the Fourth Quarter is \$8,000.00.

*Taxable portion of the sick payment: \$8,000.00 X .6 = \$4,800.00

**FICA taxable portion of the sick payment: (\$8,000.00 - (last month sick payment (\$2,666.67)) X .6 = \$3,200.00.

Cabot Cove adjusted on line 9 of their 941 Form for \$244.80 of employee taxes not withheld on sick pay (\$3,200.00 X .0765 = \$244.80).

SICK PAY - P2: Employer paid 100 percent of the premiums on the policy for Ms. Sheppard. ACME assumed responsibility for paying Cabot Cove's FICA taxes and reporting the sick pay wages.

NOTE: Group-term life insurance is subject to FICA tax withholding only.

*Nicole Craig withdrew \$4,500 from the NQDCP. As a governmental entity Cabot Cove must report this distribution on IRS Form 1099-R and not in current year wages.

**PAYROLL REGISTER ANNUAL SUMMARY
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security 6.20%		Medicare 1.45%	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Strosnider 000-01-0101	FICA Active	45,229.00	0.00	0.00	0.00	0.00	45,229.00	9,045.80	45,229.00	2,804.20	45,229.00	655.82
Diego Garcia y Vega 000-56-7890	FICA Active	31,515.00	4,035.00	0.00	0.00	0.00	35,550.00	7,110.00	35,550.00	2,204.10	35,550.00	515.48
Alfredo G.R. Marano 000-67-8901	MQGA Active	54,000.00	0.00	0.00	0.00	0.00	54,000.00	10,800.00	0.00	0.00	54,000.00	783.00
Tae-Jin Kim 000-89-0123	FICA Active	136,000.00	0.00	0.00	0.00	0.00	136,000.00	27,200.00	84,900.00	5,263.80	136,000.00	1,972.00
Jose Schaeffer 000-78-9012	FICA Active - SK	16,183.00	0.00	18,666.67	11,200.00	9,600.00	27,383.00	5,476.60	25,783.00	1,598.55	25,783.00	373.85
Lois G. Sheppard 000-90-1234	FICA Active - WC	25,172.00	0.00	2,000.00	0.00	0.00	25,172.00	5,034.41	25,172.00	1,560.66	25,172.00	364.99
John R. McNamara 000-45-6789	MQGE/FICA Active	60,500.00	0.00	0.00	0.00	0.00	60,500.00	12,100.00	30,250.00	1,875.50	60,500.00	877.24
Mary V. Smith 000-23-4567	FICA-Exempt Active	56,000.00	0.00	0.00	0.00	0.00	56,000.00	11,200.00	0.00	0.00	0.00	0.00
Thomas J. Mason 000-78-9012	FICA Active	50,000.00	0.00	150.00	150.00	150.00	50,150.00	10,000.00	50,150.00	3,109.30	50,150.00	727.18
Samuel L. Johnson 000-21-0987	FICA Retired	0.00	0.00	387.00	387.00	387.00	387.00	0.00	387.00	0.00	387.00	0.00
Nicole Craig 000-54-3210	FICA Retired	30,000.00	0.00	9,600.00	0.00	5,000.00	29,400.00	5,880.00	80,000.00	4,960.00	80,000.00	1,160.00
Total	MQGE	54,000.00	0.00	0.00	0.00	0.00	54,000.00	10,800.00	0.00	0.00	54,000.00	783.00
	MQGE/FICA	60,500.00	0.00	0.00	-	-	60,500.00	12,100.00	30,250.00	1,875.50	60,500.00	877.24
	FICA-Exempt	56,000.00	0.00	0.00	-	-	56,000.00	11,200.00	0.00	0.00	0.00	0.00
	FICA	334,099.00	4,035.00	30,803.67	11,737.00	15,137.00	349,271.00	69,746.81	347,171.00	21,500.61	398,271.00	5,769.32
		450,599.00	4,035.00	30,803.67	11,737.00	15,137.00	465,771.00	93,046.81	377,421.00	23,376.11	458,771.00	6,646.56
Annual Grand Total		504,599.00	4,035.00	30,803.67	11,737.00	15,137.00	519,771.00	103,846.81	377,421.00	23,376.11	512,771.00	7,429.56

Notes - Reconciling the 941 Annual mock-up to the Payroll Register Annual Summary

- Line 6a SS regular wages = \$377,421 less the allocated tips of 4035 = \$373,386
- Line 6b SS tax (\$23376.11 less allocated tips (4035 X .062) \$250.17 plus (S. Johnson see below prior to adjustment \$387 x .062) \$23.99) multiplied by 2 = \$46299.86.
- Line 7b Medicare tax (\$ 7429.56 plus (S. Johnson see below prior to adjustment \$387 x .0145) \$5.61) multiplied by 2 = \$14870.34.
- Cabot Cove adjusted on line 9 of their 941 Form \$734.40 of employee taxes not withheld on sick pay (\$9600.00 X .0765 =734.40).
- Samuel Johnson had \$387 that is reportable as SS and Medicare wages (excess Group term life insurance over \$50,000). The company paid their portion of the tax but does not withhold on the employee's portion. See adjustment line 9 \$387 x .062 = 23.99 for SS and \$387 x .0145= 5.61 or combined total of \$29.60.

*Nicole Craig withdrew \$9,000 from the NQDCP. As a governmental entity Cabot Cove must report this distribution on IRS Form 1099-R and not in current year wages.

Part I: Cabot Cove Case Scenario

Wage and Tax Deposit Employer Data

Forms 941, W-3 and W-2

Introduction

Part 1 contains four quarterly (and one annual mock-up) IRS Forms 941 and two Forms W-3 that summarize Forms W-2 information from the Cabot Cove School District. This information illustrates how:

- Cabot Cove reported its quarterly payroll and tax deposit data to IRS; and
- The annual sum of Cabot Cove's quarterly Form 941 data agree with Cabot Cove's W-3 data for the same calendar year.

The annual Form 941 mock-up (page 60) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the quarterly Forms 941 (pages 61 through 64) with (2) the sum of the two Forms W-3 (pages 65 and 66). In addition, the first Form W-3 (page 65) includes wage and tax data compiled under the combined reporting option elected by Cabot Cove, which consolidated both the MQGE and full-FICA wages earned by an employee based on that employee's continuing work in employment that became covered under FICA during the year. The Form W-3 on page 65 also includes FICA-exempt employee wages compiled under the combined reporting option for wages not subject to FICA tax (employer's also have the option of grouping FICA-exempt wages and reporting those wages under a separate Form W-3). The second Form W-3 (page 66) contains MQGE wage and tax data only.

Cabot Cove's Forms 941 and W-3 contained in Part 1 are correct examples because they meet the following criteria. Cabot Cove's correct Form W-2 data are displayed in Part 2 and compared with common reporting errors.

Payroll Register vs. Forms 941

- Each quarterly Form 941 balances to (1) the sum of the corresponding employee payroll register data for each quarter and (2) the corresponding annual payroll register summary data for each of the following:
 - a. Total wages, tips and other compensation and Federal income tax withheld;
 - b. Taxable Social Security wages and taxable Social Security tips; and
 - c. Taxable Medicare wages and tips.
- In terms of Social Security and Medicare wages and tips, Cabot Cove limited tax withholdings to the applicable Social Security wage base (\$84,900) and Medicare wage base (total employee compensation) for TY 2002.

- Regarding sick pay, Cabot Cove:
 - a. Treated sick pay payments correctly in terms of identifying wages representing (1) only the percentage of the premium cost of the sick pay plan borne by Cabot Cove as federally taxable wages and (2) only the first 6 months of sick pay as taxable Social Security and Medicare wages; and
 - b. Properly adjusted the Social Security and Medicare taxes withheld on each applicable Form 941 (line 9) to reflect (1) employee taxes withheld and paid by a third-party payer and (2) uncollected employee Social Security and Medicare taxes.

Forms 941 vs. Forms W-3

- The employer's EIN* is valid and the name and address are correct on each type of form; both are reported consistently.
- The following data from the Forms W-3 balance to the annual sum of the four quarterly Forms 941:
 - a. Wages, tips and other compensation and Federal income tax withheld;
 - b. Social Security wages and Social Security tips; and
 - c. Medicare wages and tips.
- Regarding the Form W-3, Cabot Cove properly reported the income tax withheld by a third-party payer in Box 15 of the Form W-3, based on sick payments made to an employee by a third-party.

Forms W-3 vs. Forms W-2

- Each Form W-3 identifies the proper type of employment in Box b for the accompanying Forms W-2.
- The sum of all wages and tax withheld on the Forms W-2 balance to the aggregate wages and tax withheld on the Forms W-3.
- Regarding the Forms W-2, all:
 - a. SSNs* are valid;
 - b. Employee names are properly printed (i.e., first, middle initial, last) and are consistent with the names printed on their Social Security cards (see Exhibit 1);
 - c. EINs* are valid and both the EIN and employer address are consistently reported on each form; and

* As noted on page 50, the EINs and SSNs in this publication are intentionally invalid. In the examples, they should be considered valid unless specifically noted as incorrect

- d. Money amount boxes are properly prepared because they do not contain alpha entries (except for Box 13), negative amounts, special characters or punctuation.
- In terms of Social Security wages and tips, Cabot Cove limited tax withholdings on the Forms W-2 to the applicable Social Security wage base (\$84,900) for TY 2002.
 - Regarding Social Security and Medicare taxes withheld, the money amounts reported reflect the proper withholding rates of 6.2 percent and 1.45 percent respectively.
 - Regarding Group-Term Life Insurance (GTLI) over \$50,000, Cabot Cove:
 - a. Used the Form W-2 to report the taxable cost of GTLI over \$50,000; and
 - b. Treated the cost of GTLI over \$50,000 as income and withheld only the FICA tax on that income for current (not retired) employees.
 - Cabot Cove properly reported nonqualified deferred compensation by:
 - a. Including on the Form W-2 contributions to the plan¹ in Boxes 3 and 5 and reporting the respective tax withholdings on those contributions in boxes 4 and 6; and
 - b. Including on the Form W-2 distributions from the plan as income in box 1 and reporting Federal income tax withholding on those distributions in box 2.

¹ Contributions that became taxable during the year based on the later of (1) when the services giving rise to the deferral are performed or (2) when there is no substantial forfeiture risk of rights to the deferred amounts.

Form 941

(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)

Annual Mock-up, Form 941
Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name) CABOT COVE SCHOOL	Date quarter ended	OMB No. 1545-0029 T FF FD FP I T
	Trade name, if any	Employer identification number 00-5678910	
	Address (number and street) 123 EDUCATION WAY	City, state, and ZIP code Baltimore, MD 21201	

If address is different from prior return, check here ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1	Number of employees in the pay period that includes March 12th		10		
2	Total wages and tips, plus other compensation		2	519771	00
3	Total income tax withheld from wages, tips, and sick pay		3	103846	81
4	Adjustment of withheld income tax for preceding quarters of calendar year		4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)		5	103846	81
6	Taxable social security wages		6a	\$ 373386	00
	Taxable social security tips		6c	\$ 4035	00
7	Taxable Medicare wages and tips		7a	\$ 512771	00
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>		8	61670	58
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ 734.40 ± Fractions of Cents \$ ± Other \$ 29.60 =		9	<764	00>
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)		10	60906	58
11	Total taxes (add lines 5 and 10)		11	164753	40
12	Advance earned income credit (EIC) payments made to employees		12		
13	Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).		13	164753	40
14	Total deposits for quarter, including overpayment applied from a prior quarter		14	164753	40
15	Balance due (subtract line 14 from line 13). See instructions		15		
16	Overpayment. If line 14 is more than line 13, enter excess here <input type="checkbox"/> \$ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.				

o All filers: If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).

o Semiweekly schedule depositors: Complete Schedule B (Form 941) and check here ☐o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
54917.80	54917.80	54917.80	164753.40

Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No	
	Designee's name <input type="checkbox"/>	Phone no. <input type="checkbox"/> () Personal identification number (PIN) <input type="checkbox"/>
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.	
	Signature	Print Your Name and Title Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form 941 (Re 1-2002)

Form **941**(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)**1st Quarter**
Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name) Cabot Cove School Trade name, if any	Date quarter ended March, 31, 2002 Employer identification number 00-5678910	OMB No. 1545-0029 T FF FD FP I T
Address (number and street) 123 EDUCATION WAY	City, state, and ZIP code BALTIMORE, MD 21201		

If address is different from prior return, check here ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	9	9	9	9	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid
If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1	Number of employees in the pay period that includes March 12th		10		
2	Total wages and tips, plus other compensation		2	140594	63
3	Total income tax withheld from wages, tips, and sick pay		3	28118	93
4	Adjustment of withheld income tax for preceding quarters of calendar year		4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)		5	28118	93
6	Taxable social security wages	6a \$ 97260	88	X12.4%(.124) =	6b 12060 35
	Taxable social security tips	6c \$ 1008	75	X12.4%(.124) =	6d 125 09
7	Taxable Medicare wages and tips	7a \$ 126894	63	X 2.9%(.029) =	7b 3679 94
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>		8	15865	38
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =		9		
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)		10	15865	38
11	Total taxes (add lines 5 and 10)		11	43984	31
12	Advance earned income credit (EIC) payments made to employees.		12		
13	Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).		13	43984	31
14	Total deposits for quarter, including overpayment applied from a prior quarter		14	43984	31
15	Balance due (subtract line 14 from line 13). See instructions		15		
16	Overpayment. If line 14 is more than line 13, enter excess here \$ _____ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.				

o All filers: If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).

o Semiweekly schedule depositors: Complete Schedule B (Form 941) and check here ☐o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
14661.44	14661.44	14661.43	43984.31

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see separate instructions)? ☐ Yes. Complete the following ☐ No

Designee's name	Phone no. ()	Personal identification number (PIN)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign Here

Signature

Print Your
Name and Title

Date

Form **941**(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)**2nd Quarter**
Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name)	Date quarter ended	OMB No. 1545-0029
	CABOT COVE SCHOOL	June 30, 2002	T
	Trade name, if any	Employer identification number	FF
		00-5678910	FD
	Address (number and street)	City, state, and ZIP code	FP
	123 EDUCATION WAY	BALTIMORE, MD 21201	I
			T

If address is different from prior return, check here ☐

1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	9	9	9	9	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1 Number of employees in the pay period that includes March 12th			
2 Total wages and tips, plus other compensation	2	138958	03
3 Total income tax withheld from wages, tips, and sick pay	3	27791	61
4 Adjustment of withheld income tax for preceding quarters of calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	27791	61
6 Taxable social security wages	6a	\$ 145624	30
Taxable social security tips	6c	\$ 1008	75
7 Taxable Medicare wages and tips	7a	\$ 175258	03
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>	8	23264	98
9 Adjustment of social security and Medicare taxes (see instructions for required explanation)	9	<122	40>
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	23142	58
11 Total taxes (add lines 5 and 10)	11	50934	19
12 Advance earned income credit (EIC) payments made to employees.	12		
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	50934	19
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	50934	19
15 Balance due (subtract line 14 from line 13). See instructions	15		

16 Overpayment. If line 14 is more than line 13, enter excess here ☐ \$ _____ and check if to be: ☐ Applied to next return **or** ☐ Refunded.

o **All filers:** If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ☐o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
16978.06	16978.06	16978.07	50934.19

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see separate instructions)? ☐ Yes. Complete the following ☐ No

Designee's name Phone no. () Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature Print Your Name and Title Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Re 1-2002)

Form 941

(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)

3rd Quarter

Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name) CABOT COVE SCHOOL Trade name, if any	Date quarter ended September 30, 2002 Employer identification number 00-5678910	OMB No. 1545-0029 T FF FD FP I T
Address (number and street) 123 EDUCATION WAY	City, state, and ZIP code Baltimore MD 21201		

If address is different from prior return, check here ☐

1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	10	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1	Number of employees in the pay period that includes March 12th		1	
2	Total wages and tips, plus other compensation		2	120984 83
3	Total income tax withheld from wages, tips, and sick pay		3	24196 97
4	Adjustment of withheld income tax for preceding quarters of calendar year		4	
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)		5	24196 97
6	Taxable social security wages		6a	\$ 75376 08
	Taxable social security tips		6c	\$ 1008 75
7	Taxable Medicare wages and tips		7a	\$ 106984 83
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>		8	12574 28
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ 367.20 ± Fractions of Cents \$ ± Other \$ =		9	<367 20>
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)		10	12207 08
11	Total taxes (add lines 5 and 10)		11	36404 05
12	Advance earned income credit (EIC) payments made to employees		12	
13	Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).		13	36404 05
14	Total deposits for quarter, including overpayment applied from a prior quarter		14	36404 05
15	Balance due (subtract line 14 from line 13). See instructions		15	
16	Overpayment. If line 14 is more than line 13, enter excess here \$ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			

o **All filers:** If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).
o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ☐
o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
12134.68	12134.68	12134.69	36404.05

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see separate instructions)? ☐ Yes. Complete the following ☐ No

Designee's name	Phone no.	Personal identification number (PIN)
	()	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign Here

Signature	Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form 941 (Re 1-2002)

Form **941**(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)**4th Quarter**
Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name) CABOT COVE SCHOOL Trade name, if any	Date quarter ended December 31, 2002 Employer identification number 00-5678910	OMB No. 1545-0029 T FF FD FP I T
	Address (number and street) 123 EDUCATION WAY	City, state, and ZIP code Baltimore, MD 21201	

If address is different from prior return, check here ☐ ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1 Number of employees in the pay period that includes March 12th	<input type="checkbox"/> 10		
2 Total wages and tips, plus other compensation	2	119233	51
3 Total income tax withheld from wages, tips, and sick pay	3	23739	30
4 Adjustment of withheld income tax for preceding quarters of calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	23739	30
6 Taxable social security wages	6a	\$ 55124	76
Taxable social security tips	6c	\$ 1008	75
7 Taxable Medicare wages and tips	7a	\$ 103633	51
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>	8	9965	93
9 Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ 244.80 ± Fractions of Cents \$ ± Other \$ 29.60 =	9	<274	40>
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	9691	53
11 Total taxes (add lines 5 and 10)	11	33430	83
12 Advance earned income credit (EIC) payments made to employees.	12		
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	33430	83
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	33430	83
15 Balance due (subtract line 14 from line 13). See instructions	15		
16 Overpayment. If line 14 is more than line 13, enter excess here <input type="checkbox"/> \$ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			

o **All filers:** If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ☐o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
11143.61	11143.61	11143.61	33430.83

Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No	
Designee's name <input type="checkbox"/>	Phone no. <input type="checkbox"/> ()	Personal identification number (PIN) <input type="checkbox"/>
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.		
Sign Here	Print Your Name and Title	Date
Signature		

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Re 1-2002)

Combined W-3 for full-FICA W-2s, FICA-Exempt W-2, and optional combined MQGE and full-fica W-2

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation \$ 465771.00
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	2 Federal income tax withheld \$ 93046.81
			third-party sick pay <input checked="" type="checkbox"/>	3 Social security wages \$ 377421.00
c Total number of forms W-2 10		d Establishment number		4 Social security tax withheld \$ 23376.11
e Employer identification number 00-5678910				5 Medicare wages and tips \$ 458771.00
f Employer's name CABOT COVE SCHOOL				6 Medicare tax withheld \$ 6645.56
				7 Social security tips \$ 4035.00
				8 Allocated tips \$
				9 Advance EIC payments
				10 Dependent care benefits \$
				11 Nonqualified plans \$
				12 Deferred compensation \$
				13 For third-party sick pay use only
g employer's address and ZIP code 123 EDUCATION WAY Baltimore, MD 21201				14 Income tax withheld by payer of third-party sick pay \$ 2240.00
h Other EIN used this year				
15 State	Employer's state ID number	16 State wages, tips, etc. \$		17 State income tax \$
		18 Local wages, tips, etc. \$		19 Local income tax \$
Contact person		Telephone number ()		For Official Use Only
E-mail address		Fax number ()		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements**2002**Department of the Treasury
Internal Revenue Service

W-3 for MQGE W-2s

a Control number		For Official Use Only OMB No. 1545-0008			
b Kind of Payer	941 <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input checked="" type="checkbox"/>	\$ 54000.00	\$ 10800.00
			3 Social security wages	4 Social security tax withheld	
			\$	\$	
c Total number of forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
1				\$ 54000.00	\$ 783.00
e Employer identification number				7 Social security tips	8 Allocated tips
00-5678910				\$	\$
f Employer's name				9 Advance EIC payments	10 Dependent care benefits
CABOT COVE SCHOOL					\$
123 EDUCATION WAY				Nonqualified plans	12 Deferred compensation
Baltimore, MD 21201				\$	\$
				13 For third-party sick pay use only	
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year				\$	
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				\$	\$
				18 Local wages, tips, etc.	19 Local income tax
				\$	\$
Contact person				Telephone number	For Official Use Only
E-mail address				Fax number	
				()	
				()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form

W-3

Transmittal of Wage and Tax Statements

2002Department of the Treasury
Internal Revenue Service

Part II

Employee Wage And Tax Statements

Correct vs. Incorrect Reporting

Introduction

Part 2 contains Forms W-2 and various supporting Forms W-3. This information illustrates, on pages 68 through 81, correct versus incorrect reporting for:

- Employee names and SSNs;
- An EIN;
- Social Security wages and taxes;
- Medicare wages and taxes;
- FICA-Exempt wages and taxes;
- GTLI over \$50,000;
- Third-party sick pay; and
- Nonqualified deferred compensation.

Part 2 also illustrates both the split (pages 82-83) and combined (page 84) reporting options for a State or Local Government employee who earned wages subject to the Medicare tax only, then became covered for full-FICA effective July 1, 2002.

See Chapter 2: Special Considerations for more information on state and local government, third-party sick pay and agent reporting.

CORRECT vs. INCORRECT REPORTING - Employee Names and SSNs

A. Elizabeth Lee Strosnider is an employee subject to full-FICA. No tips were earned.
The following W-2 facsimile illustrates the correct way to prepare the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number		00-5678910		1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code		CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		\$ 45229.00	\$ 9045.80
				3 Social security wages	4 Social security tax withheld
				\$ 45229.00	\$ 2804.20
				5 Medicare wages and tips	6 Medicare tax withheld
				\$ 45229.00	\$ 655.82
				7 Social Security tips	8 Allocated tips
				\$	\$
d Employee's social security number		000-01-0101		9 Advance EIC payment	10 Dependent care benefits
				\$	\$
e Employee's first name and initial		Last name		11 Nonqualified plans	12a See instructions for box 12
ELIZABETH L		STROSNIER		-	-
567 ELM RD. BALTIMORE, MD 21201				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b c o -
				14 Other	12c -
					12d -
f Employee's address and Zip code					-
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$	\$		20 Locality name

Form **W-2**Wage and Tax
Statement**2002**

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

Copy A For Social Security Administration-Send this entire
page with Form W-3 to the Social Security Administration;
photocopies are not acceptable.

Cat. No. 10134D

The following W-2 for Elizabeth Lee Strosnider is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number		00-5678910		1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code		CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		\$ 45229.00	\$ 9045.80
				3 Social security wages	4 Social security tax withheld
				\$ 45229.00	\$ 2804.20
				5 Medicare wages and tips	6 Medicare tax withheld
				\$ 45229.00	\$ 655.82
				7 Social Security tips	8 Allocated tips
				\$	\$
d Employee's social security number		005-67-8910		9 Advance EIC payment	10 Dependent care benefits
				\$	\$
e Employee's first name and initial		Last name		11 Nonqualified plans	12a See instructions for box 12
BETTY L		STROSNIER		-	-
567 ELM RD. BALTIMORE, MD 21201				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b c o -
				14 Other	12c -
					12d -
f Employee's address and Zip code					-
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$	\$		20 Locality name

Form **W-2**Wage and Tax
Statement**2002**

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

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page with Form W-3 to the Social Security Administration;
photocopies are not acceptable.

Cat. No. 10134D

The W-2 above is incorrect because the preparer recorded the EIN in box d, "Employee's social security number" and used the employee's nickname in box e, "Employee's name" instead of the proper first name. The name used in box e should be same as the name shown on the Social Security card. Recording an incorrect or improper name may result in SSA being unable to credit the wages to the employee's Social Security record. A typical error, as in this example, occurs when the preparer substitutes a nickname for the proper first name. Incorrect SSNs are also a common problem. Preparers frequently transpose digits, use another person's SSN, enter the EIN instead of the SSN or fail to record the complete SSN.

CORRECT vs INCORRECT REPORTING - Social Security/Medicare Wages and Taxes

B. Diego Garcia-y-Vega is an employee subject to full-FICA. Unallocated tips equaled \$4,035.00. The name was reported exactly as shown on the Social Security card.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation \$ 35550.00		2 Federal income tax withheld \$ 7110.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 31515.00		4 Social security tax withheld \$ 2204.10	
		5 Medicare wages and tips \$ 35550.00		6 Medicare tax withheld \$ 515.48	
		7 Social Security tips \$ 4035.00		8 Allocated tips \$	
		9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-56-7890		11 Nonqualified plans		12a See instructions for box 12 - d -	
e Employee's first name and initial DIEGO		Last name GARCIA-y-VEGA		12b c o - -	
432 SMITH AVE BALTIMORE, MD 21201		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c - - -	
		14 Other		12d - - -	
				-	
				-	
f Employee's address and Zip code		15 State		Employer's state ID number	
		16 State wages, tips, etc.		17 State income tax	
		18 Local Wages, tips, etc.		19 Local Income tax	
				20 Locality name	

Form **W-2**
Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

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Cat. No. 10134D

The following W-2 for Diego Garcia-y-Vega is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation \$ 35550.00		2 Federal income tax withheld \$ 7110.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 31515.00		4 Social security tax withheld \$ 2719.58	
		5 Medicare wages and tips \$ 35550.00		6 Medicare tax withheld \$	
		7 Social Security tips \$ 4035.00		8 Allocated tips \$	
		9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-56-7890		11 Nonqualified plans		12a See instructions for box 12 - d -	
e Employee's first name and initial DIEGO		Last name GARCIA-y-VEGA		12b c o - -	
432 SMITH AVE. BALTIMORE, MD 21201		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c - - -	
		14 Other		12d - - -	
				-	
				-	
f Employee's address and Zip code		15 State		Employer's state ID number	
		16 State wages, tips, etc.		17 State income tax	
		18 Local Wages, tips, etc.		19 Local Income tax	
				20 Locality name	

Form **W-2**
Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

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Cat. No. 10134D

The W-2 above is incorrect because the preparer neglected to calculate the Medicare tax liability and failed to apply the correct tax rate to Social Security wages and tips (by applying the combined Social Security/Medicare tax rate of 7.65 percent to the total Social Security wages instead of the correct Social Security rate of 6.2 percent). The taxes should have been calculated as follows:

Social Security tax withheld: (\$31,515.00 [box 3] + \$4035.00 [box 7]) X 6.2% = \$2,204.10

Medicare tax withheld: (\$35,550.00 [box 5]) X 1.45% = \$515.48

CORRECT vs INCORRECT REPORTING - Social Security/Medicare Wages and Taxes

C. Alfredo Giuseppe Richardo Marano is an employee subject to Medicare taxes only.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 54000.00		2 Federal income tax withheld \$ 10800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 54000.00		4 Social security tax withheld \$ 3348.00	
				5 Medicare wages and tips \$ 54000.00		6 Medicare tax withheld \$ 783.00	
				7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 000-67-8901				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial ALFREDO G		Last name MARANO		11 Nonqualified plans -		12a See instructions for box 12 -	
123 MAPLE ST. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
				14 Other		12c -	
						12d -	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2**
Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

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Cat. No. 10134D

The following W-2 for Alfredo Giuseppe Richardo Marano is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 54000.00		2 Federal income tax withheld \$ 10800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 54000.00		4 Social security tax withheld \$ 3348.00	
				5 Medicare wages and tips \$ 54000.00		6 Medicare tax withheld \$ 783.00	
				7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 000-67-8901				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial ALFREDO R		Last name MARANO		11 Nonqualified plans -		12a See instructions for box 12 -	
123 MAPLE ST. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
				14 Other		12c -	
						12d -	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2**
Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

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Cat. No. 10134D

In this example, the preparer erroneously reported Social Security wages and taxes instead of only reporting Medicare wages and taxes. The preparer also used the wrong middle initial in box e.

CORRECT vs. INCORRECT REPORTING - Medicare Wages and Taxes

D. Tae-Jin Kim is an employee subject to full-FICA. The name was reported exactly as shown on the Social Security card.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation \$ 136000.00		2 Federal income tax withheld \$ 27200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 84900.00		4 Social security tax withheld \$ 5263.80	
		5 Medicare wages and tips \$ 136000.00		6 Medicare tax withheld \$ 1972.00	
		7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 000-89-0123		9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial TAE-JIN		Last name KIM		11 Nonqualified plans -	
		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 d -	
567 EASTERN AVE. BALTIMORE, MD 21201		14 Other		12b c o -	
				12c -	
				12d -	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$			
		\$			
				20 Locality name	

Form **W-2**
Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction

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Act Notice, see separate instructions

The following W-2 for Tae-Jin Kim is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation \$ 136000.00		2 Federal income tax withheld \$ 27200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 84900.00		4 Social security tax withheld \$ 5263.80	
		5 Medicare wages and tips \$ 84900.00		6 Medicare tax withheld \$ 1231.05	
		7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 000-89-0123		9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial KIM		Last name TAE-JIN		11 Nonqualified plans -	
		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 d -	
567 EASTERN AVE. BALTIMORE, MD 21201		14 Other		12b c o -	
				12c -	
				12d -	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$			
		\$			
				20 Locality name	

Form **W-2**
Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction

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Act Notice, see separate instructions

The W-2 above is incorrect because the preparer failed to recognize that the Medicare wage base differs from the Social Security wage base. The preparer inserted the Social Security wage base figure in the Medicare wages and tips box and calculated the Medicare tax amount based on the Social Security wage base figure. The preparer also erred by transposing the employee's first and last name in box e.

CORRECT vs. INCORRECT REPORTING - FICA Exempt Wages and Taxes

E. Mary V. Smith is an employee subject to Federal income taxes only.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 56000.00		2 Federal income tax withheld \$ 11200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$		4 Social security tax withheld \$	
				5 Medicare wages and tips \$		6 Medicare tax withheld \$	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-23-4567		e Employee's first name and initial MARY V.		Last name SMITH		11 Nonqualified plans \$	
f Employee's address and Zip code 1205 TOWER ST. BALTIMORE, MD 21201		13 Statutory employee plan <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		12a See instructions for box 12 c o d e \$	
		Third-party sick pay <input type="checkbox"/>		12b c o d e \$			
		14 Other		12c c o d e \$			
				12d c o d e \$			
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local income tax \$	
						20 Locality name	

Form **W-2** Wage and Tax Statement**2002**

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

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Cat. No. 10134D

The following W-2 for Mary V. Smith is incorrect. Please review these common errors and the discussion on these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 56000.00		2 Federal income tax withheld \$ 11200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 56000.00		4 Social security tax withheld \$ 3472.00	
				5 Medicare wages and tips \$ 56000.00		6 Medicare tax withheld \$ 812.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-23-4567		e Employee's first name and initial MARY V.		Last name SMITH		11 Nonqualified plans \$	
f Employee's address and Zip code 1205 TOWER ST. BALTIMORE, MD 21201		13 Statutory employee plan <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		12a See instructions for box 12 c o d e \$	
		Third-party sick pay <input type="checkbox"/>		12b c o d e \$			
		14 Other		12c c o d e \$			
				12d c o d e \$			
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local income tax \$	
						20 Locality name	

Form **W-2** Wage and Tax Statement**2002**

Department of the Treasury-Internal Revenue Service

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In this example the preparer erroneously reported Social Security and Medicare Wages and taxes instead of only Wages, tips and other compensation and Federal income tax withheld. Mary V. Smith is a FICA-Exempt employee.

CORRECT vs. INCORRECT REPORTING - Group Term Life Insurance Over \$50,000

A. Thomas J. Mason is an employee subject to full-FICA. Mason's TY 2002 wages were \$50,000. Mason's insurance coverage is \$150,000. He is 45 years old. He pays \$30 per year for his coverage. The calculated benefit amount to include as taxable income to report for TY 2002 related to GTLI over \$50,000 is \$150 ($[(\$150 - \$50) \times .15] \times 12 = \$180 - \$30 = \150).

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 50150.00		2 Federal income tax withheld \$ 10000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 50150.00		4 Social security tax withheld \$ 3109.30	
				5 Medicare wages and tips \$ 50150.00		6 Medicare tax withheld \$ 727.18	
				7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 000-78-9012				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial THOMAS J.		Last name MASON		11 Nonqualified plans \$		12a See instructions for box 12 C 150 \$	
f Employee's address and Zip code 911 BANK ST. BALTIMORE, MD 21224				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
				14 Other		12c \$	
						12d \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc. \$	
						19 Local income tax \$	
						20 Locality name	

Form **W-2**
Wage and Tax
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Department of the Treasury-Internal Revenue Service

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The following W-2 for Thomas J. Mason is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 50000.00		2 Federal income tax withheld \$ 10000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 50000.00		4 Social security tax withheld \$ 3100.00	
				5 Medicare wages and tips \$ 50000.00		6 Medicare tax withheld \$ 725.00	
				7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 000-78-9012				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial THOMAS J.		Last name MASON		11 Nonqualified plans \$		12a See instructions for box 12 C \$	
f Employee's address and Zip code 911 BANK ST. BALTIMORE, MD 21224				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
				14 Other		12c \$	
						12d \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc. \$	
						19 Local income tax \$	
						20 Locality name	

Form **W-2**
Wage and Tax
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Department of the Treasury-Internal Revenue Service

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The W-2 above is incorrect because the preparer failed to include the benefit amount of GTLI over \$50,000 in the FICA wages and in the wages, tips, other compensation. The preparer also failed to withhold the FICA taxes for the cost of GTLI over \$50,000. GTLI is subject to FICA tax withholding only. It is subject to federal income tax, but it is not subject to federal income tax withholding. The preparer also failed to disclose the GTLI in Box 12 ("code C" is used for GTLI) of the Form W-2.

CORRECT vs. INCORRECT REPORTING - GTLI

B. Samuel L. Johnson is a 58 year old retired employee. However he elected to continue his GTLI coverage through Cabot Cove. His insurance coverage is \$125,000. The calculated benefit amount as taxable income related to GTLI over \$50,000 is \$387.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 387.00		2 Federal income tax withheld \$	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 387.00		4 Social security tax withheld \$	
				5 Medicare wages and tips \$ 387.00		6 Medicare tax withheld \$	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-21-0987		e Employee's first name and initial SAMUEL L.		Last name JOHNSON		11 Nonqualified plans \$	
f Employee's address and Zip code 1122 CHERRY LANDE RD SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 Code C \$ 387.00	
				14 Other		12b Code M \$ 23.99	
						12c Code N \$ 5.61	
						12d Code \$	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2002** Department of the Treasury-Internal Revenue Service
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The following W-2 for Samuel L. Johnson is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 387.00		2 Federal income tax withheld \$ 135.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$		4 Social security tax withheld \$	
				5 Medicare wages and tips \$		6 Medicare tax withheld \$	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-21-0987		e Employee's first name and initial SAMUEL L.		Last name JOHNSON		11 Nonqualified plans \$	
f Employee's address and Zip code 1122 CHERRY LANE RD SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 Code \$	
				14 Other		12b Code \$	
						12c Code \$	
						12d Code \$	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2002** Department of the Treasury-Internal Revenue Service
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In this example, the preparer failed to (1) report the GTLI as Social Security and Medicare wages and (2) disclose the GTLI (using "code C") and uncollected Social Security and Medicare taxes (using "codes M and N" respectively). In addition, the preparer erroneously reported Federal income tax withheld (reported in Box 2).

CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay

A. Jose Schaeffer is an employee subject to full-FICA. He was actively employed as a bus driver until May 2002 when he was injured in an automobile accident. From June 1 until the end of the tax year Mr. Schaeffer received sick pay from the ACME insurance Company (EIN 00-7654321). ACME did not pay the employer's portion of FICA nor assume responsibility for reporting sick pay wages on behalf of the employer. Therefore, Cabot Cove is responsible for issuing the Form W-2 to Mr. Schaeffer. Cabot Cove received the following annual benefit notification from ACME on January 9, 2003:

ACME Insurance Company
Statement of Benefit Payments for Jose Schaeffer (000-78-9012)
Tax Year 2002

Portion of benefit plan funded by employer	60 percent
Benefit payments received (first six months)	\$ 16,000.00
Remaining payments received for tax year 2002	\$ 2,666.67

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 27383.00		2 Federal income tax withheld \$ 5476.60	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 25783.00		4 Social security tax withheld \$ 1598.55	
				5 Medicare wages and tips \$ 25783.00		6 Medicare tax withheld \$ 373.85	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial JOSE		Last name SCHAEFFER		11 Nonqualified plans \$		12a See instructions for box 12 J \$ 7466.67	
901 AIRY WAY BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
				14 Other SK PAY - Acme Ins. Co.		12c \$	
						12d \$	
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
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CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay (Con't)

The following W-2 for Jose Schaeffer is incorrect. Please review these common errors and the discussion of these errors below the W-2

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation \$ 34849.67		2 Federal income tax withheld \$ 6969.93	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 34849.67		4 Social security tax withheld \$ 2160.68	
		5 Medicare wages and tips \$ 34849.67		6 Medicare tax withheld \$ 505.32	
		7 Social Security tips \$		8 Allocated tips \$	
		9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial JOSE		Last name SCHAEFFER		11 Nonqualified plans \$	
901 AIRY WAY BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e \$	
		14 Other		12b c o d e \$	
				12c c o d e \$	
f Employee's address and Zip code				12d c o d e \$	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax
		\$			20 Locality name

Form **W-2** Wage and Tax
Statement

2002

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The W-2 above is incorrect because the employer failed to recognize that (1) only sick payments received in the first six months are FICA taxable and (2) only the sick payments that relate to the percentage of the premium cost borne by Cabot Cove Schools are FICA taxable. This in turn resulted in a failure to disclose in Box 12 the non-taxable portion of the sick payments (representing the 40 percent employee contribution to the sick pay plan). The correct Social Security and Medicare tax calculations (and the respective amounts for each wage type) are shown below.

Social Security/Medicare wages

(Wages paid [\$16,183]) + (60% of Sick Payments received in first 6 months [.6 x \$16,000]) = \$25,783

Social Security Tax Withheld

(Social Security Wages [box 3, \$25,783]) x 6.2% = \$1,598.55

Medicare Tax Withheld

(Medicare Wages [box 5, \$25,783]) x 1.45% = \$373.85

Wages, Tips and Other Compensation

(Wages paid [\$16,183]) + (60% of Sick Payments received [.6 x \$18,666.67]) = \$27,383

Box 12 (Code J)

40% x Sick Payments received (\$18,666.67) = \$7,466.67

CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay Recap

Because Acme is required to report payments for disability or sickness made to employees on IRS Form 941 (Employer's Quarterly Federal Tax Return), to ensure that both IRS and SSA records are in balance, Acme must send SSA a "RECAP" W-2 showing the amount of sick pay given to Mr. Schaeffer. Should Acme neglect to prepare a "RECAP" W-2, their 941's will not agree with their W-2s. Failure to file a RECAP W-2 is a contributing factor to the SSA/IRS reconciliation process, which creates a tremendous workload for employers and the Federal Government. PLEASE NOTE; "RECAP" W-2s and their accompanying Form W-3 must not be filed on magnetic media - use only paper forms. Acme's "RECAP" W-2 should look like the following example:

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-7654321				1 Wages, tips, other compensation \$ 18666.67		2 Federal income tax withheld \$ 2240.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162				3 Social security wages \$ 9600.00		4 Social security tax withheld \$ 595.20	
				5 Medicare wages and tips \$ 9600.00		6 Medicare tax withheld \$ 139.20	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
"THIRD PARTY SICK PAY RECAP"				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
				14 Other		12c c o d e \$	
						12d c o d e \$	
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form

W-2Wage and Tax
Statement**2002**

Department of the Treasury-Internal Revenue Service

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CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay, Liability Not Transferred

Lois Germaine Sheppard is an employee subject to full-FICA. She was actively employed as a school crossing guard until November 30, 2002 when she slipped on some ice and broke her leg. From December 1 until the end of the tax year she received sick pay from the ACME Insurance Company. Cabot Cove paid 100 percent of the premiums on the policy for Ms. Sheppard. ACME paid Ms. Sheppard \$2,000 in sick pay and assumed responsibility for paying Cabot Cove's share of FICA taxes and reporting the sick pay wages.

Correct W-2 Form from Cabot Cove Schools

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number			00-5678910		1 Wages, tips, other compensation \$ 25172.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 25172.00		2 Federal income tax withheld \$ 5034.40	
			5 Medicare wages and tips \$ 25172.00		4 Social security tax withheld \$ 1560.66	
			7 Social Security tips \$		6 Medicare tax withheld \$ 364.99	
			9 Advance EIC payment \$		8 Allocated tips \$	
d Employee's social security number			000-90-1234		10 Dependent care benefits \$	
e Employee's first name and initial		Last name		11 Nonqualified plans		
LOIS G		SHEPPARD		12a See instructions for box 12 c o d e \$		
f Employee's address and Zip code 945 BOWSER ST. BALTIMORE, MD 21201			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
			14 Other		12c c o d e \$	
					12d c o d e \$	
15 State Employer's state ID number			16 State wages, tips, etc. \$		17 State income tax	
					18 Local Wages, tips, etc.	
					19 Local income tax	
					20 Locality name	

Form

W-2**Wage and Tax
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Department of the Treasury-Internal Revenue Service

Ms. Sheppard's W-2 from Acme Insurance Company should look like the following:

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number			00-7654321		1 Wages, tips, other compensation \$ 2000.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162			3 Social security wages \$ 2000.00		2 Federal income tax withheld \$ 400.00	
			5 Medicare wages and tips \$ 2000.00		4 Social security tax withheld \$ 124.00	
			7 Social Security tips \$		6 Medicare tax withheld \$ 29.00	
			9 Advance EIC payment \$		8 Allocated tips \$	
d Employee's social security number			000-90-1234		10 Dependent care benefits \$	
e Employee's first name and initial		Last name		11 Nonqualified plans		
LOIS G		SHEPPARD		12a See instructions for box 12 c o d e \$		
f Employee's address and Zip code 945 BOWSER ST. BALTIMORE, MD 21201			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>		12b c o d e \$	
			14 Other		12c c o d e \$	
			Sick Pay Furnished under an Agency Agreement with Your Employer		12d c o d e \$	
15 State Employer's state ID number			16 State wages, tips, etc. \$		17 State income tax	
					18 Local Wages, tips, etc.	
					19 Local income tax	
					20 Locality name	

Form **W-2****Wage and Tax
Statement****2002**

Department of the Treasury-Internal Revenue Service

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Correct vs. Incorrect Reporting - Third-Party Sick Pay Liability Not Transferred

The following Form W-2 illustrates a common mistake made by third-party insurers. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 2000.00		2 Federal income tax withheld \$ 400.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162				3 Social security wages \$ 2000.00		4 Social Security tax withheld \$ 124.00	
				5 Medicare wages and tips \$ 2000.00		6 Medicare tax withheld \$ 29.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-90-1234		e Employee's first name and initial LOIS G		Last name SHEPPARD		11 Nonqualified plans	
945 BOWSER ST. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e \$	
				14 Other Sick Pay furnished under an Agency agreement with your employer		12b c o d e \$	
						12c c o d e \$	
						12d c o d e \$	
f Employee's address and Zip code							
15 State		Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax	
						18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2****Wage and Tax
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Department of the Treasury-Internal Revenue Service

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The W-2 above is incorrect because the third-party payer used the employer's EIN instead of their own when reporting.

This will cause the Form 941 for both the third-party and the employer to be out of balance with their respective W-2/W-3 submissions.

CORRECT vs. INCORRECT - Nonqualified Deferred Compensation

Cabot Cove contributes 2 percent of Nicole Craig's salary to a nonqualified deferred compensation plan (NQDCP) under a salary reduction agreement. Nicole is not entitled to the total deferred amount under the NQDCP until retirement.

Nicole retired June 30, 2002 at age 55 and earned \$30,000 in salary up to that point.

Cabot Cove deferred \$600 of Nicole's wages for NQDCP in 2002; Cabot Cove's aggregate contribution to Nicole's NQDCP were \$50,600.

Upon retirement, Nicole receives \$1,500/month from the NQDCP and withdraws a total of \$9,000 from the plan in TY 2002.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-5678910				1 Wages, tips, other compensation \$ 29400.00		2 Federal income tax withheld \$ 5880.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 80000.00		4 Social security tax withheld \$ 4960.00	
				5 Medicare wages and tips \$ 80000.00		6 Medicare tax withheld \$ 1160.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-54-3210		e Employee's first name and initial NICOLE		Last name CRAIG		11 Nonqualified plans \$ 50000	
f Employee's address and Zip code 657 JOE RD. BALTIMORE, MD 21202				12a See instructions for box 12 c o d e G \$ 600.00		12b c o d e \$	
				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c c o d e \$	
				14 Other		12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form

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Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

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CORRECT vs. INCORRECT - Nonqualified Deferred Compensation

The following W-2 for Nicole Craig is incorrect. Please review these errors and the discussion of these errors below the W-2

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-5678910			1 Wages, tips, other compensation \$ 39000.00		2 Federal income tax withheld \$ 7800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 80600.00		4 Social security tax withheld \$ 4997.20	
			5 Medicare wages and tips \$ 80600.00		6 Medicare tax withheld \$ 1168.70	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-54-3210		11 Nonqualified plans		12a See instructions for box 12 c o d e \$		
e Employee's first name and initial NICOLE		Last name CRAIG		12b c o u n t y \$		
657 JOE RD BALTIMORE, MD 21202		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12c c o u n t y \$		
		14 Other		12d c o u n t y \$		
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2**
Copy A For Social Security Administration

Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act notice, see separate instructions

The W-2 above is incorrect because:

Box 1 - Current year wages of \$30,000 should be reduced by the current year deferral of \$600 but should not include the \$9,000 in NQDCP distributions. (Note: Cabot is a governmental entity and must report post-2001 NQDCP distributions to its former employee on IRS Form 1099-R.)

Boxes 3 and 5 - Social Security and Medicare wages should include prior (\$50,000) and current year (\$600) deferrals that are recognized for Social Security and Medicare tax purposes during 2002.

Box 11 - The prior year deferral of \$50,000 recognized and reported in boxes 3 and 5 should also be reported in box 11. The current year deferral of \$600 that is properly reported in boxes 3 and 5 is not reported in box 11. (As noted above, Cabot must report post-2001 NQDCP distributions on IRS Form 1099-R. Accordingly, Cabot needs to make only one entry in box 11. If Cabot had been a nongovernmental entity, no amount would have been reported in box 11 because deferrals (\$50,000) and distributions (\$9,000) occurred in the same year and only one entry is allowed in box 11.)

Box 12 - The \$600 current year income tax deferral should be reported in box 12 using Code G.

Box 13 - The "Retirement Plan" box is inappropriately checked. This box should not be checked for contributions made to a nonqualified or section 457 plan.

Calculations for Box 1, 3 and 5 are as follows:

Current year wages	30,000.00
Less Current year NQDCP deferral	<u>600.00</u>
Total Report in Box 1	29,400.00
Plus prior year NQDCP deferral	50,000.00
Plus Current year NQDCP deferral	<u>600.00</u>
Total Reported in Boxes 3 & 5	80,000.00

Split Reporting Option**REPORTING AN EMPLOYEE TYPE OF EMPLOYMENT CHANGE**

Effective July 1, 2002, John R. McNamara's work became covered for full-FICA instead of Medicare-only coverage earlier in the year. The following Forms W-2 and W-3 illustrate split reporting for Mr. McNamara by Cabot Cove.

Form W-2 for MQGE wages from January 1, 2002 to June 30, 2002

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-5678910			1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$		4 Social security tax withheld \$		
			5 Medicare wages and tips \$ 30250.00		6 Medicare tax withheld \$ 438.62		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 000-45-6789			11 Nonqualified plans \$		12a See instructions for box 12 c o d e \$		
e Employee's first name and initial JOHN R		Last name McNAMARA		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
f Employee's address and Zip code 800 CLARK RD. SEVERN, MD 21144			14 Other		12c c o d e \$		
					12d c o d e \$		
15 State		Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name
			\$				

Wage and Tax

2002

Department of the Treasury-Internal Revenue Service

Form **W-2**

Statement

Copy A For Social Security Administration

Form W-3 for MQGE Wages

a Control number		33333	For Official Use Only OMB No. 1545-0008		
b Kind of Payer 941 Military <input type="checkbox"/> CT-1 Hshld <input type="checkbox"/> 943 Medicare <input type="checkbox"/> govt. emp <input checked="" type="checkbox"/> third-party sick pay <input type="checkbox"/>		1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00	
c Total number of forms W-2 1		d Establishment number		3 Social security wages \$	
e Employer Identification number 00-5678910		5 Medicare wages and tips \$ 30250.00		4 Social security tax withheld \$	
f Employer's name CABOT COVE SCHOOLS		7 Social security tips \$		6 Medicare tax withheld \$ 438.62	
g Employer's address and ZIP code 123 EDUCATION WAY BALTIMORE, MD 21201		9 Advance EIC payments \$		8 Allocated tips \$	
		11 Nonqualified plans \$		10 Dependent care benefits \$	
		13 For third-party sick pay use only		12 Deferred compensation \$	
h Other EIN used this year		14 Income tax withheld by third-party sick pay payer \$			
15 State		Employer's state ID number	16 State wages, tips, etc.	17 State income tax	
			18 Local wages, tips, etc.	19 Local income tax	
Contact person		Telephone number ()		For Official Use Only	
E-mail address		Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form **W-3**

Transmittal of Wage and Tax Statements

2002Department of the Treasury
Internal Revenue Service

Split Reporting Option (Cont'd)

Wages paid July 1, 2002 to December 31, 2002 subject to full FICA tax.

Form W-2 for wages subject to full FICA (from July 1, 2002 to December 31, 2002)

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008							
b Employer Identification number 00-5678910				1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00							
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.50							
				5 Medicare wages and tips \$ 30250.00		6 Medicare tax withheld \$ 438.62							
				7 Social Security tips \$		8 Allocated tips \$							
				9 Advance EIC payment \$		10 Dependent care benefits \$							
d Employee's social security number 000-45-6789				11 Nonqualified plans		12a See instructions for box 12 c o d e \$							
e Employee's first name and initial JOHN R		Last name McNAMARA		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$							
f Employee's address and Zip code 800 CLARK RD. SEVERN, MD 21144				14 Other		12c c o d e \$							
						12d c o d e \$							
15 State		Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.		19 Local income tax \$		20 Locality name	

Form **W-2**
Copy A For Social Security AdministrationWage and Tax
Statement**2002**

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions**Form W-3 for Wages subject to full FICA**

a Control number		33333		For Official Use Only OMB No. 1545-0008			
b Kind of Payer		941 Military <input checked="" type="checkbox"/> 943 <input type="checkbox"/>		1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00	
		CT-1 <input type="checkbox"/> Hshld emp <input type="checkbox"/> Medicare govt. emp <input type="checkbox"/> third-party sick pay <input type="checkbox"/>		3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.00	
c Total number of forms W-2 1		d Establishment number		5 Medicare wages and tips \$ 30250.00		6 Medicare tax withheld \$ 438.62	
e Employer identification number 00-5678910				7 Social security tips \$		8 Allocated tips \$	
f Employer's name CABOT COVE SCHOOLS				9 Advance EIC payments \$		10 Dependent care benefits \$	
g Employer's address and ZIP code 123 EDUCATION WAY BALTIMORE, MD 21201				11 Nonqualified plans \$		12 Deferred compensation \$	
				13 For third-party sick pay use only			
				14 Income tax withheld by third-party sick pay payer \$			
h Other EIN used this year							
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				18 Local wages, tips, etc.		19 Local income tax	
Contact person				Telephone number ()		For Official Use Only	
E-mail address				Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3**

Transmittal of Wage and Tax Statements

2002Department of the Treasury
Internal Revenue Service

Optional Combined Reporting

The following Form W-3 and W-2 (Copy A) illustrate optional combined reporting for John R. McNamara.

Form W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-5678910				1 Wages, tips, other compensation \$ 60500.00		2 Federal income tax withheld \$ 12100.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.50	
				5 Medicare wages and tips \$ 60500.00		6 Medicare tax withheld \$ 877.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-45-6789				11 Nonqualified plans \$		12a See instructions for box 12 c o o d e	
e Employee's first name and initial JOHN R Last name McNAMARA 800 CLARK RD. SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o o d e	
				14 Other		12c c o o d e	
						12d c o o d e	
f Employee's address and Zip code				15 State		16 State wages, tips, etc.	
				Employer's state ID number		17 State income tax	
						18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Wage and Tax

2002

Department of the Treasury-Internal Revenue Service

Form

W-2

Statement

Copy A For Social Security Administration

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions**Form W-3 for Combined Reporting**

a Control number		33333		For Official Use Only OMB No. 1545-0008			
b Kind of Payer		941 <input checked="" type="checkbox"/> Military 943 <input type="checkbox"/> CT-1 <input type="checkbox"/> Hshld emp <input type="checkbox"/> Medicare govt. emp <input type="checkbox"/> third-party sick pay <input type="checkbox"/>		1 Wages, tips, other compensation \$ 60500.00		2 Federal income tax withheld \$ 12100.00	
c Total number of forms W-2 1		d Establishment number		3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.50	
e Employer identification number 00-5678910				5 Medicare wages and tips \$ 60500.00		6 Medicare tax withheld \$ 877.24	
f Employer's name CABOT COVE SCHOOLS				7 Social security tips \$		8 Allocated tips \$	
g Employer's address and ZIP code 123 EDUCATION WAY BALTIMORE, MD 21201				9 Advance EIC payments \$		10 Dependent care benefits \$	
				11 Nonqualified plans \$		12 Deferred compensation \$	
				13 For third-party sick pay use only			
				14 Income tax withheld by third-party sick pay payer \$			
h Other EIN used this year							
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				18 Local wages, tips, etc.		19 Local income tax	
Contact person		Telephone number ()		For Official Use Only			
E-mail address		Fax number ()					

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form

W-3

Transmittal of Wage and Tax Statements

2002Department of the Treasury
Internal Revenue Service

Part III: Special Reporting Situations

Part 3 provides examples of proper paper reporting to help employers understand and comply with SSA/IRS guidelines. This Part illustrates general guidelines for private employers filing paper Forms W-2, W-3, 941 and 943. Included are examples which reflect special reporting situations such as: 1) deferred compensation; 2) advance EIC; 3) tax shelter contributions to 401(k) plans; 4) fringe benefits and 5) allocated tips. Specific filing instructions are available in the instructions for filing Forms W-2, W-3, and 941 as well as IRS Publication 15, Circular E, Employers Tax Guide, and IRS Publication 15-A, Employer's Supplemental Tax Guide. IRS forms and publications are available at www.irs.gov or by calling 1-800-829-3676.

This section contains four quarterly (and one annual "mock-up" of) IRS Forms 941, one Form W-3, and five Forms W-2 from the WireMasters Company. This information illustrates how:

- WireMasters reported its quarterly payroll and tax deposit data to IRS;
- The annual sum of WireMasters' quarterly Form 941 data should agree with its W-3 data for the same calendar year; and
- WireMasters' W-3 data agrees with employees' W-2 data.

Case Scenario

The following case scenario illustrates how WireMasters Company, a private employer, reports its wage and tax deposit data on the Forms W-2, W-3 and 941. In the examples which follow, WireMasters employed 5 individuals who have been affected by at least one of the special reporting situations (defined above). The scenario consists of: Payroll Register Data Tables, Employer Wage and Tax Deposit Data (Forms 941); and Employee Wage and Tax Statements (Forms W-3 and W-2).

WireMasters annual Form 941 mock-up (page 90) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the four quarterly Forms 941 (pages 91 through 94), (2) the Form W-3 WireMasters submitted to SSA (page 95) and (3) the five Forms W-2 WireMasters issued (pages 96 through 100).

Exhibits: Payroll Register Data Tables

The following exhibits are data tables of information from WireMasters' payroll register. This information provides the base data for the case scenario. WireMasters employs individuals who earn wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees).

WireMasters' EIN is 00-0198765. The information in the exhibit below contains summary employee information from WireMasters' payroll register.

Summary Employee Information
WireMasters

<u>Name (first, middle, last)</u>	<u>Name as shown on Social Security Card and</u>	<u>SSN</u>
Edward Eric McNamara	Edward E. McNamara	000-67-4589
Sandra Spencer	Sandra Spencer	000-78-5690
Randolph Marano	Randolph Marano	000-89-6701
Junghee Kim	Junghee Kim	000-01-8923
Dominique Dana Johnson	Dominique D. Johnson	000-50-3210

FIRST QUARTER EMPLOYEE PAYROLL DATA WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	MQGA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1750.00	17,668.00	3,533.60	19418.00	1203.92	19418.00	281.56
First Quarter Total		64,030.00	1,125.00	156.00	168.00	3000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

SECOND QUARTER EMPLOYEE PAYROLL DATA WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19418.00	1,203.92	19418.00	281.56
Second Quarter Total		64,030.00	1,125.00	156.00	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

THIRD QUARTER EMPLOYEE PAYROLL DATA WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	MQGA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19,418.00	1,203.92	19,418.00	281.56
Third Quarter Total		64,030.00	1,125.00	156.00	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

FOURTH QUARTER EMPLOYEE PAYROLL DATA WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00		3,100.00			19,225.00	3,845.00	22,325.00	1,384.15	22,325.00	323.71
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	MQGA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00 Life Ins. & Fringe Benefits	1,750.00	17,668.00	3,533.60	19,418.00	1,203.92	19,418.00	281.56
Fourth Quarter Total		64,030.00	1,125.00	3,256.00	168.00	3,000.00	65,323.00	13,064.60	71,423.00	4,428.23	71,423.00	1,035.63

**PAYROLL REGISTER ANNUAL SUMMARY
WIREMASTER COMPANY PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active-Deceased	76,900.00	0.00	3,100.00	0.00	0.00	76,900.00	15,380.00	80,000.00	4,960.00	80,000.00	1,160.00
Sandra Spencer 000-78-5690	FICA Active	45,000.00	4,500.00	0.00	0.00	5,000.00	49,500.00	9,900.00	54,500.00	3,379.00	54,500.00	790.25
Randolph Marano 000-89-6701	FICA Active	12,220.00	0.00	624.00 Advance EIC	0.00	0.00	12,220.00	2,444.00	12,220.00	757.64	12,220.00	177.19
Junghee Kim 000-01-8923	FICA Active	52,000.00	0.00	0.00	0.00	0.00	52,000.00	10,400.00	52,000.00	3,224.00	52,000.00	754.00
Dominique D. Johnson 000-50-3210	FICA Active	70,000.00	0.00		672.00 Life Ins. & Fringe Benefits	7,000.00	70,672.00	14,134.40	77,672.00	4,815.66	77,672.00	1126.24
Annual Grand Total		256,120.00	4,500.00	3,724.00	672.00	12,000.00	261,292.00	52,258.40	276,392.00	17,136.30	276,392.00	4,007.68

Form **941**(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)**Annual Mock-up, Form 941**
Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state
code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right
(see
page 3 of
instructions).

Name(as distinguished from trade name)

WIREMASTERS COMPANY

Trade name, if any

Address (number and street)

123 SMALL BUSINESS WAY

Date quarter ended

Employer identification number

00-0198765

City, state, and ZIP code

BALTIMORE, MD 21201

OMB No. 1545-0029

T

FF

FD

FP

I

T

If address is
different
from prior
return, check
here ☐

1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1	Number of employees in the pay period that includes March 12th			5				
2	Total wages and tips, plus other compensation			2	261292	00		
3	Total income tax withheld from wages, tips, and sick pay			3	52258	40		
4	Adjustment of withheld income tax for preceding quarters of calendar year			4				
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)			5	52258	40		
6	Taxable social security wages	6a	\$ 271892	00	X12.4%(.124) =	6b	33714	61
	Taxable social security tips	6c	\$ 4500	00	X12.4%(.124) =	6d	558	00
7	Taxable Medicare wages and tips	7a	\$ 276392	00	X 2.9%(.029) =	7b	8015	37
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>			8	42287	98		
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =			9				
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)			10	42287	98		
11	Total taxes (add lines 5 and 10)			11	94546	38		
12	Advance earned income credit (EIC) payments made to employees			12	624	00		
13	Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).			13	93922	38		
14	Total deposits for quarter, including overpayment applied from a prior quarter			14	93922	38		
15	Balance due (subtract line 14 from line 13). See instructions			15				
16	Overpayment. If line 14 is more than line 13, enter excess here <input type="checkbox"/> \$ _____ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.							

o **All filers:** If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ☐o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter

Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No
Designee's name <input type="checkbox"/>	Phone no. <input type="checkbox"/> () <input type="checkbox"/>
	Personal identification number (PIN) <input type="checkbox"/>
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.
Signature	Print Your Name and Title
	Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Re 1-2002)

Form 941

(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)

1st Quarter

Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name) WIREMASTERS COMPANY Trade name, if any	Date quarter ended March 31, 2002 Employer identification number 00-0198765	OMB No. 1545-0029 T FF FD FP I T
Address (number and street) 123 SMALL BUSINESS WAY	City, state, and ZIP code BALTIMORE, MD 21201		

If address is different from prior return, check here ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1 Number of employees in the pay period that includes March 12th	5		
2 Total wages and tips, plus other compensation	2	65323	00
3 Total income tax withheld from wages, tips, and sick pay	3	13064	60
4 Adjustment of withheld income tax for preceding quarters of calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	13064	60
6 Taxable social security wages	6a	\$ 67198	00
Taxable social security tips	6c	\$ 1125	00
7 Taxable Medicare wages and tips	7a	\$ 68323	00
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>	8	10453	42
9 Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ <input type="checkbox"/> ± Fractions of Cents \$ <input type="checkbox"/> ± Other \$ <input type="checkbox"/> =	9		
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	10453	42
11 Total taxes (add lines 5 and 10)	11	23518	02
12 Advance earned income credit (EIC) payments made to employees.	12	156	00
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	23362	02
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	23362	02
15 Balance due (subtract line 14 from line 13). See instructions	15		
16 Overpayment. If line 14 is more than line 13, enter excess here <input type="checkbox"/> \$ <input type="checkbox"/> and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			

o All filers: If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).

o Semiweekly schedule depositors: Complete Schedule B (Form 941) and check here ☐o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7787.34	7787.34	7787.34	23362.02

Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No
Designee's name <input type="checkbox"/>	Phone no. <input type="checkbox"/> ()
	Personal identification number (PIN) <input type="checkbox"/>
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.
Signature	Print Your Name and Title
	Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form 941 (Re 1-2002)

2nd Quarter

Form 941

(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)

Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right
(see
page 3 of
instructions).

Name(as distinguished from trade name)

WIREMASTERS COMPANY

Date quarter ended

June 30, 2002

Trade name, if any

Employer identification number

00-0198765

Address (number and street)

123 SMALL BUSINESS WAY

City, state, and ZIP code

BALTIMORE, MD 21201

OMB No. 1545-0029

T
FF
FD
FP
I
TIf address is
different
from prior
return, check
here ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paidIf you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1	Number of employees in the pay period that includes March 12th			5
2	Total wages and tips, plus other compensation			2 65323 00
3	Total income tax withheld from wages, tips, and sick pay			3 13064 60
4	Adjustment of withheld income tax for preceding quarters of calendar year			4
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)			5 13064 60
6	Taxable social security wages			6a \$ 67198 00 X12.4%(.124) = 6b 8332 55
	Taxable social security tips			6c \$ 1125 00 X12.4%(.124) = 6d 139 50
7	Taxable Medicare wages and tips			7a \$ 68323 00 X 2.9%(.029) = 7b 1981 37
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>			8 10453 42
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =			9
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)			10 10453 42
11	Total taxes (add lines 5 and 10)			11 23518 02
12	Advance earned income credit (EIC) payments made to employees.			12 156 00
13	Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).			13 23362 02
14	Total deposits for quarter, including overpayment applied from a prior quarter			14 23362 02
15	Balance due (subtract line 14 from line 13). See instructions			15
16	Overpayment. If line 14 is more than line 13, enter excess here \$ _____ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			

o **All filers:** If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ☐o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7787.34	7787.34	7787.34	23362.02

Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No	
	Designee's name <input type="checkbox"/>	Phone no. <input type="checkbox"/> () Personal identification number (PIN) <input type="checkbox"/>
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.	
	Signature	Print Your Name and Title Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form 941 (Re 1-2002)

Form **941**(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)

3rd Quarter

Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name)	Date quarter ended	OMB No. 1545-0029
	WIREMASTERS COMPANY	September 30, 2002	T
	Trade name, if any	Employer identification number	FF
		00-0198765	FD
	Address (number and street)	City, state, and ZIP code	FP
	123 SMALL BUSINESS WAY	BALTIMORE, MD 21201	I
			T

If address is different from prior return, check here ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1 Number of employees in the pay period that includes March 12th	5		
2 Total wages and tips, plus other compensation	2	65323	00
3 Total income tax withheld from wages, tips, and sick pay	3	13064	60
4 Adjustment of withheld income tax for preceding quarters of calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	13604	60
6 Taxable social security wages	6a	\$ 67198	00
Taxable social security tips	6c	\$ 1125	00
7 Taxable Medicare wages and tips	7a	\$ 68323	00
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>	8	10453	42
9 Adjustment of social security and Medicare taxes (see instructions for required explanation)	9		
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	10453	42
11 Total taxes (add lines 5 and 10)	11	23518	02
12 Advance earned income credit (EIC) payments made to employees	12	156	00
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	23362	02
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	23362	02
15 Balance due (subtract line 14 from line 13). See instructions	15		
16 Overpayment. If line 14 is more than line 13, enter excess here <input type="checkbox"/> \$ <input type="checkbox"/> Applied to next return <input type="checkbox"/> Refunded.			

o **All filers:** If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ☐o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7787.34	7787.34	7787.34	23362.02

Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No
Designee's name <input type="checkbox"/>	Phone no. <input type="checkbox"/> () <input type="checkbox"/>
	Personal identification number (PIN) <input type="checkbox"/>
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.
Signature	Print Your Name and Title
	Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Re 1-2002)

Form **941**(Rev. January 2002)
Department of the Treasury
Internal Revenue Service (99)

4th Quarter

Employer's Quarterly Federal Tax Return

See separate instructions revised January 2002 for information on completing this form.

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).	Name(as distinguished from trade name) WIREMASTERS COMPANY Trade name, if any	Date quarter ended December 31, 2002 Employer identification number 00-0198765	OMB No. 1545-0029 T FF FD FP I T
Address (number and street) 123 SMALL BUSINESS WAY	City, state, and ZIP code BALTIMORE, MD 21201		

If address is different from prior return, check here	1 1 1 1 1 1 1 1 1 1 2 3 3 3 3 3 3 3 4 4 4 5 5 5
	6 7 8 8 8 8 8 8 8 8 9 9 9 9 9 10 10 10 10 10 10 10 10 10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid ☐

If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1 Number of employees in the pay period that includes March 12th	5		
2 Total wages and tips, plus other compensation	2	65323	00
3 Total income tax withheld from wages, tips, and sick pay	3	13064	60
4 Adjustment of withheld income tax for preceding quarters of calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	13064	60
6 Taxable social security wages	6a	\$ 70298	00
Taxable social security tips	6c	\$ 1125	00
7 Taxable Medicare wages and tips	7a	\$ 71423	00
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax	8	10927	72
9 Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ ± Fractions of Cents \$ ± Other \$ =	9		
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	10927	72
11 Total taxes (add lines 5 and 10)	11	23992	32
12 Advance earned income credit (EIC) payments made to employees.	12	156	00
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	23836	32
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	23836	32
15 Balance due (subtract line 14 from line 13). See instructions	15		
16 Overpayment. If line 14 is more than line 13, enter excess here \$ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			

o All filers: If line 13 is less than \$2,500, you need not complete line 17 or Schedule B (Form 941).

o Semiweekly schedule depositors: Complete Schedule B (Form 941) and check here ☐o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here ☐

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7945.44	7945.44	7945.44	23836.32
Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No		
Designee's name	Phone no.	Personal identification number (PIN)	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.			
Sign Here	Signature	Print Your Name and Title	Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Re 1-2002)

a Control number		For Official Use Only OMB No. 1545-0008			
b Kind of Payer	941 <input checked="" type="checkbox"/> CT-1	Military <input type="checkbox"/> Hshld emp	943 <input type="checkbox"/> Medicare govt. emp.	Third-party sick pay <input type="checkbox"/>	
c Total number of forms W-2			d Establishment number	1 Wages, tips, other compensation	2 Federal income tax withheld
8				\$ 261292.00	\$ 52258.40
e Employer identification number				3 Social security wages	4 Social security tax withheld
00-0198765				\$ 271892.00	\$ 17136.30
f Employer's name				5 Medicare wages and tips	6 Medicare tax withheld
WIREMASTERS COMPANY				\$ 276392.00	\$ 4007.68
123 Small Business Way Baltimore, MD 21201				7 Social security tips	8 Allocated tips
				\$ 4500.00	\$ 3000.00
				9 Advance EIC payments	10 Dependent care benefits
				\$ 624.00	\$
g employer's address and ZIP code				11 Nonqualified plans	12 Deferred compensation
h Other EIN used this year				\$	\$ 8850.00
				13 For Third-party sick pay use only	
				14 Income tax withheld by Third-party sick pay payer	
				\$	
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				\$	\$
				18 Local wages, tips, etc.	19 Local income tax
				\$	\$
Contact person			Telephone number		For Official Use Only
John Newton			(555) 111-2222		
E-mail address			Fax number		
			(555) 111-2223		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements**2002**Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 and W-3.
Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation		2 Federal income tax withheld	
				\$ 76900.00		\$ 15380.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages		4 Social security tax withheld	
				\$ 80000.00		\$ 4960.00	
				5 Medicare wages and tips		6 Medicare tax withheld	
				\$ 80000.00		\$ 1160.00	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-67-4589				9 Advance EIC payment		10 Dependent care benefits	
				\$		\$	
e Employee's first name and initial EDWARD E		Last name McNAMARA		11 Nonqualified plans		12a See instructions for box 12	
				\$		c o d e \$	
800 CLARK RD. SEVERN, MD 21144				13 Statutory employee Retirement plan Third-party sick pay		12b	
				<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		c o d e \$	
				14 Other		12c	
				Wages paid after death 3100.00		c o d e \$	
						12d	
						c o d e \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	
		\$					

2002

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 80000.00		2 Federal income tax withheld \$ 16000.00	
				3 Social security wages \$ 80000.00		4 Social security tax withheld \$ 4960.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				5 Medicare wages and tips \$ 80000.00		6 Medicare tax withheld \$ 1160.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
				11 Nonqualified plans \$		12a See instructions for box 12 c o d e \$	
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
d Employee's social security number 000-67-4589				14 Other Wages paid after death 3100.00		12c c o d e \$	
				12d c o d e \$			
e Employee's first name and initial EDWARD E		Last name McNAMARA		800 CLARK RD. SEVERN, MD 21144		12e \$	
f Employee's address and Zip code				15 State		16 State wages, tips, etc. \$	
Employer's state ID number				17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

2002

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the preparer included in Box 1, the \$3100 after death payment made to Mr. McNamara's estate. The preparer appropriately included the after death payment as social security and Medicare wages. Further, when an employee's estate is paid his/her accrued wages in the year of death, the payment should not be shown in Box 1 (Wages, tips and other compensation).

Sandra Spencer is an employee subject to full-FICA. Mrs. Spencer's salary is \$50,000. She has elected to participate in Wiremasters' 401-(k) plan by making an annual contribution of 10 percent of her salary (\$5,000). Her unallocated tips equalled \$4,500. Her allocated tips were \$3,000.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 49500.00		2 Federal income tax withheld \$ 9900.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 50000.00		4 Social security tax withheld \$ 3379.00	
				5 Medicare wages and tips \$ 54500.00		6 Medicare tax withheld \$ 790.25	
				7 Social Security tips \$ 4500.00		8 Allocated tips \$ 3000.00	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-78-5690				11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial SANDRA		Last name SPENCER		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/> 14 Other		12b See instructions for box 12 D \$ 5000.00	
420 SMITH AVE. BALTIMORE, MD 21201		12c					
		12d					
		12e					
f Employee's address and Zip code				15 State		16 State wages, tips, etc.	
				17 State income tax		18 Local Wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form **W-2**
Copy A For Social Security Administration

Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

The following W-2 for Sandra Spencer is incorrect. Please review these common errors and the discussion below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 50000.00		2 Federal income tax withheld \$ 10000.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 50000.00		4 Social security tax withheld \$ 4169.25	
				5 Medicare wages and tips \$ 54500.00		6 Medicare tax withheld \$	
				7 Social Security tips \$ 4500.00		8 Allocated tips \$ 3000.00	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-78-5690				11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial SANDRA		Last name SPENCER		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/> 14 Other		12b See instructions for box 12 D \$ 5000.00	
420 SMITH AVE. BALTIMORE, MD 21201		12c					
		12d					
		12e					
f Employee's address and Zip code				15 State		16 State wages, tips, etc.	
				17 State income tax		18 Local Wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form **W-2**
Copy A For Social Security Administration

Wage and Tax
Statement

2002

Department of the Treasury-Internal Revenue Service

The W-2 above is incorrect because the preparer: 1) neglected to exclude the employee's contribution to the 401-(k) plan from box 1, Wages, tips and other compensation; 2) failed to apply the correct tax rate to taxable social security wages and tips (used combined social security and Medicare rate 7.65 percent); and 3) neglected to calculate any Medicare tax liability.

The calculations are: Box 1: \$50,000 - \$5,000 = \$45,000 + \$4,500 [box 7] = **\$49,500**.

Box 2: \$49,500. [box 1] x 20% = **\$9,900**.

Box 4: (\$50,000 [box 3] + \$4,500 [box 7]) x 6.2% = **\$3,379**.

Box 6: (\$54,500 [box 5] x 1.45% = **\$790.25**

Randolph Marano, a single parent, is a part-time employee of the Wiremasters Company. He elected to receive Advance Earned Income Credit (EIC) by properly completing Form W-5, EIC Advance Payment Certificate. He received \$624 in Advance EIC in 2002.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 12220.00		2 Federal income tax withheld \$ 2440.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 12220.00		4 Social security tax withheld \$ 757.64	
				5 Medicare wages and tips \$ 12220.00		6 Medicare tax withheld \$ 177.19	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$ 624.00		10 Dependent care benefits \$	
d Employee's social security number 000-89-6701		e Employee's first name and initial RANDOLPH		Last name MARANO		11 Nonqualified plans \$	
f Employee's address and Zip code 123 MAPLE ST. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e \$		12b c o d e \$	
		14 Other		12c c o d e \$		12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc. \$	
						19 Local income tax \$	
						20 Locality name	

Wage and Tax

2002

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

The following W-2 for Randolph Marano is incorrect. Please review these common errors and the discussion below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 12844.00		2 Federal income tax withheld \$ 2568.80	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 12844.00		4 Social security tax withheld \$ 796.33	
				5 Medicare wages and tips \$ 12844.00		6 Medicare tax withheld \$ 186.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$ 624.00		10 Dependent care benefits \$	
d Employee's social security number 000-89-6701		e Employee's first name and initial RANDOLPH		Last name MARANO		11 Nonqualified plans \$	
f Employee's address and Zip code 123 MAPLE ST. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e \$		12b c o d e \$	
		14 Other		12c c o d e \$		12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc. \$	
						19 Local income tax \$	
						20 Locality name	

Wage and Tax

2002

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

In this example, the preparer erroneously considered the \$624 Advance EIC payment wages and included it in boxes 1, 3 and 5 and withheld the appropriate income, social security and Medicare taxes. However, Advance EIC payments are not wages and are not subject to withholding of income, or Medicare taxes. Advance EIC payment amounts **should only be shown in box 9**, **Advance EIC payment**.

Junghee Kim is an employee subject to full-FICA. Her W-2 below is voided because the preparer transposed the social security and Medicare wage amounts and after doing that, withheld the appropriate tax rate on the transposed amounts. The amount of social security and Medicare wages was actually \$52,000. Please review the discussion below the Form W-2.

a Control number		22222		Void <input checked="" type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 52000.00		2 Federal income tax withheld \$ 10400.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 25000.00		4 Social security tax withheld \$ 1550.00	
				5 Medicare wages and tips \$ 25000.00		6 Medicare tax withheld \$ 362.50	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-01-8923				11 Nonqualified plans \$		12a See instructions for box 12 c o d e \$	
e Employee's first name and initial JUNGHEE		Last name KIM		13 Statutory employee plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
f Employee's address and Zip code 567 EASTERN AVE. BALTIMORE, MD 21201				14 Other		12c c o d e \$	
						12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local Income tax	
						20 Locality name	

Wage and Tax

2002

Department of the Treasury-Internal Revenue Service

Form **W-2** Statement
Copy A for Social Security Administration

The "Void" box was checked on the Form W-2 above because an error was made and the preparer completed a new Form W-2 (below). The amounts shown on the "Void" form above **should not** be included in the totals entered on Wiremasters' Form W-3.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 52000.00		2 Federal income tax withheld \$ 10400.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 52000.00		4 Social security tax withheld \$ 3224.00	
				5 Medicare wages and tips \$ 52000.00		6 Medicare tax withheld \$ 754.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-01-8923				11 Nonqualified plans \$		12a See instructions for box 12 c o d e \$	
e Employee's first name and initial JUNGHEE		Last name KIM		13 Statutory employee plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
f Employee's address and Zip code 567 EASTERN AVE. BALTIMORE, MD 21201				14 Other		12c c o d e \$	
						12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local Income tax	
						20 Locality name	

Wage and Tax

2002

Department of the Treasury-Internal Revenue Service

Form **W-2** Statement
Copy A for Social Security Administration

The form W-2 above is correct and all the amounts from this Form W-2 **should be** included in Wiremasters' W-3 totals.

Dominique D. Johnson is an employee subject to full-FICA. Her 2002 wages were \$77,000. Johnson's GTLI coverage is \$300,000. She is 50 years old and pays \$168 per year for her coverage. The calculated benefit amount to include as taxable income to report for TY 2002 related to GTLI over \$50,000 is \$522 ($[(300-50) \cdot .23] \cdot 12 = 690 - 168 = 522$). Johnson contributes \$7,000 to a SIMPLE retirement account that is part of her 401-(k) arrangement. Johnson took business trips for which she received a substantiated total per diem allowance of \$350. Johnson also received \$150 in taxable fringe benefits.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 70672.00		2 Federal income tax withheld \$ 14030.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 77672.00		4 Social security tax withheld \$ 4815.66	
				5 Medicare wages and tips \$ 77672.00		6 Medicare tax withheld \$ 1126.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-50-3210		e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans \$	
f Employee's address and Zip code 650 HOPE RD. BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e C \$ 522.00		12b c o d e D \$ 7000.00	
		14 Other		12c c o d e L \$ 350.00		12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2**
Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Wage and Tax Statement

2002

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction

Act Notice, see separate instructions

The following W-2 for Dominique D. Johnson is incorrect. Please review these errors and the discussion below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765				1 Wages, tips, other compensation \$ 77840.00		2 Federal income tax withheld \$ 15430.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 77840.00		4 Social security tax withheld \$ 4826.08	
				5 Medicare wages and tips \$ 77840.00		6 Medicare tax withheld \$ 1128.68	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 000-50-3210		e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans \$	
f Employee's address and Zip code 650 HOPE RD. BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e C \$ 690.00		12b c o d e D \$ 7000.00	
		14 Other		12c c o d e L \$ 350.00		12d c o d e \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2**
Copy A For Social Security Administration

Wage and Tax Statement

2002

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction

The W-2 above is incorrect because the preparer included Johnson's contribution to her SIMPLE retirement account as wages in box 1 and failed to reduce the GTLI income by Johnson's post tax payment of \$168.

APPENDIX A: EMPLOYER CHECKLIST

The following checklist contains a number of basic steps you should take to help report accurately. This information has already been presented but is consolidated here for your convenience.

Recording and Verifying Social Security Numbers

- ☐ Always ask to see a job applicant's Social Security card to ensure that the name and SSN agree with the information recorded on the job application. If different, ask the applicant to visit a Social Security office to clear up any discrepancies.
- ☐ Record the name and SSN accurately.
- ☐ You may keep a photocopy of the employee's Social Security card in the employee's personnel records.

Preparing and Submitting Annual Wage Reports

- ☐ Use either the IRS official Forms W-2 and W-3 or privately printed substitute Forms W-2 and W-3. SSA accepts **only** 8 ½ inch wide Forms W-2 and W-3. All privately-printed, substitute Forms W-2 and W-3 **must** adhere to the specifications contained in IRS Publication 1141, Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3.

Here are several reminders on the specifications for creating substitute Forms W-3 and W-2 and the entry of data on all forms.

1. Margins: Do not print, write or enter any data in the margins of the form(s). These areas are used for control information during SSA's processing.
2. Printing the Form(s): Beginning with TY 2001, forms can be laser printed in black and white; see IRS Publication 1141 for rules and specifications. All other printing of Forms W-3 and W-2 will be in red OCR dropout ink, except for the form identifying numbers '22222' or '33333' at the top and the descriptive information at the bottom (including the TY) which will be printed in nonreflective black ink. The font used to print data on Forms W-3 and W-2 should be very dark, 12-point courier. Do not use script, inverted, italics and/or dual case fonts when preparing the forms. Do not use inks that contain red pigment on forms that contain employer provided information.

3. Paper Requirements: Paper for privately-printed, substitute forms (cut sheets and continuous pinfeed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, **18-20 pound paper only**, OCR bond with specific weight requirements. The forms must be produced in accordance with the detailed specifications of IRS Publication No. 1141.

Data Entry:

- Entries on the Forms W-3 and W-2 should be typed or machine printed whenever possible.
 - The data entered must be presented in clear, **dark** images to guarantee optically scannable forms.
 - Insert data in the middle of the blocks and be sure they are separated from other printing.
5. Separating the Forms: Continuous pin-feed forms should be separated at the page perforation into individual 11 inch deep pages (i.e., two Forms W-2 or 1 Form W-3 per page) in accordance with IRS Publication 1141. When separating forms, keep them in order and submit them in the order printed. **Note**: Cutting individual Forms W-2 to create two separate forms causes processing problems.
 6. Mail all paper Forms W-3 and W-2 (copy A) to the appropriate address (depending on the mail service used) shown below.

If United States Postal Service-
Send to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001
**(For certified mail use ZIP
code 18769-0002)**

Other IRS Approved Private
Delivery Service-Send to:

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Dr.
Wilkes-Barre, PA 18702-7997

- ☐ Ensure that a Form W-3 accompanies each “Kind of Payer” group of W-2's submitted.
 - ☐ Check that the EIN is the number issued by the IRS and that it is consistently reported on all three Forms: W-2, W-3 and 941.
 - ☐ Balance Forms W-2 with data on the Form W-3 and Form 941. To assure proper balancing when reporting:
1. The Social Security wages and tips reported on the Forms W-2 should (a) equal the total Social Security wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Social Security wages and tips on Forms 941; and

2. Medicare wages and tips reported on the Forms W-2 should (a) equal the total Medicare wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Medicare wages and tips on Forms 941.
- ☐ Send Forms W-3 and Forms W-2 (**Copy A only**) to SSA - **not** IRS or other destinations.
 - ☐ Make sure the same TY is shown on both Forms W-3 and W-2 (Copy A).
 - ☐ If you terminate your business you must file Forms W-2 with SSA by the end of the second month after the end of the quarter for which the final Form 941 is filed. Additionally, you must provide Form(s) W-2 to your employees for the calendar year of termination by the date your final Form 941 is required to be filed. **Note:** Even if IRS gives you an extension of time to file Forms W-2 (Copy A) and Form W-3, you must still furnish 2002 Forms W-2 to your employees by January 31, 2003 unless you request an extension of time to provide Forms W-2 to employees (see below).
 - ☐ You may request an extension of time for filing Forms W-2 (Copy A) with SSA by sending **IRS Form 8809, Request for Extension of Time to File Information Returns**, to the address shown on that form. To obtain this form, contact your local IRS office, call 1-800-829-3676 or visit the IRS website at www.irs.gov. For your request to be considered, it must be postmarked on or before the due date of the returns. If approved, you will have an additional 30 days to file. See IRS **Form 8809** for more details. **Note:** Please do not contact SSA to request an extension.
 - ☐ If you file Forms W-2 on behalf of other employers in an "agent" capacity (after filing Form 2678 with the IRS), please remember to:
 - 1. Report on Forms 941 throughout the tax year, the wage and tax data for all employers (including the "agent" if the "agent" is also an employer) for which the "agent" is assuming a reporting responsibility and use the "agent" name and EIN on the Forms 941;
 - 2. Enter the "agent's" EIN in box b and the "agent's" Name and Address in box c of the Forms W-2 (Exception: When an employee's total Social Security wages exceed the taxable Social Security wage base, enter the "agent's" name, "agent for" Employer's Name, and "agent" Address in box c and the "agent's" EIN in box b);
 - 3. Enter the ["agent" Name] in box f, ["agent" Address] in box g and the ["agent" EIN] in box e of Form W-3; and
 - 4. Submit all Forms W-2 prepared on behalf of the other employers (and your own if you are also an employer) under one W-3 transmittal.

Note: See Chapter 2: Special Considerations for further information on agent reporting.

Post-Reporting Activities

- ☐ Do not submit paper Forms W-2 (Copy A) and/or Forms W-3 that contain the same information submitted to SSA on magnetic media or that were filed electronically.
- ☐ If, after submitting Forms W-2 and W-3, you identify differences between the Social Security wages/tips and Medicare wages/tips reported to SSA and the information reported to IRS, evaluate whether you should submit correction reports to SSA (Forms W-3c and W-2c) and/or to IRS (Form 941c). Retain copies of this information with your tax records.
- ☐ Use a Form W-2c and W-3c to correct prior report submissions, do not use a new Form W-2 or W-3.

Ongoing Activities

- ☐ Remind employees to promptly report any name changes (marriages, divorces, etc.,) by completing and submitting a new SSA Form SS-5, Application for a Social Security Card, to SSA so their earnings can be credited to their earnings record. To obtain a SSA Form SS-5, use the SSA web site; *SSA Online* at www.ssa.gov or call SSA's toll free number 1-800-772-1213 between 7 a.m. and 7 p.m. any business day. Employers can call the same toll-free number to obtain a supply of SSA Forms SS-5.
- ☐ Encourage employees to a) verify basic Form W-2 information each year, particularly their name and SSN and report any errors promptly, and b) retain their copy of Forms W-2 to ensure proper credit of earnings to their SSA record.

APPENDIX B: SSA'S REGIONAL EMPLOYER SERVICES LIAISON OFFICERS

NOTE: THESE ARE NOT TOLL-FREE NUMBERS

Please contact these Social Security personnel for help with questions about how to submit **W-2s on magnetic media**. Refer to the Internal Revenue Service's (IRS) *Instructions for Forms W-2 and W-3* for information on filing **paper W-2s/W-3s**. If you are an employer, payroll service or an "agent" filing W-2s for employers, telephone the IRS Martinsburg Computing Center call site at (304) 263-8700 with employment tax questions. Contact the appropriated State Revenue Agency for questions regarding State reporting.

<u>Calls from:</u>	<u>Telephone:</u>	<u>Calls from:</u>	<u>Telephone:</u>
Alabama.....	(334) 223-7013 (Montgomery)*	Missouri	(816) 936-5649 (Kansas City)
Alaska	(206) 615-2125 (Seattle)	Montana	(800) 314-1964 (Denver)
American Samoa.....	(510) 970-8247 (San Francisco)	Nebraska.....	(816) 936-5649 (Kansas City)
Arizona	(510) 970-8247 (San Francisco)	Nevada	(510) 970-8247 (San Francisco)
Arkansas	(501) 324-5130 (Little Rock)**	New Hampshire.....	(617) 565-2895 (Boston)
California.....	(510) 970-8247 (San Francisco)	New Jersey	(212) 264-5643 (New York)
Colorado	(303) 844-2364 (Denver)	New Mexico.....	(505) 346-6651 (Albuquerque)**
Connecticut.....	(617) 565-2895 (Boston)	New York.....	(212) 264-5643 (New York)
Delaware.....	(215) 597-4632 (Philadelphia)	North Carolina.....	(919) 790-2877 Ext. 3007 (Raleigh)*
Dist. Of Columbia.....	(215) 597-4632 (Philadelphia)	North Dakota.....	(800) 314-1964 (Denver)
Florida-North	(850) 942-8975 (Tallahassee)*	Ohio.....	(312) 575-4244 (Chicago)
Florida-South	(305) 672-4517 (Miami Beach)*	Oklahoma	(501) 324-5130 (Little Rock)**
Georgia-North.....	(706) 885-1650 Ext. 201 (Lagrange)*	Oregon.....	(206) 615-2125 (Seattle)
Georgia- South.....	(912) 264-0417 Ext. 119 (Brunswick)*	Pennsylvania	(215) 597-4632 (Philadelphia)
Guam.....	(510) 970-8247 (San Francisco)	Puerto Rico.....	(787) 766-5574 (San Juan)
Hawaii.....	(510) 970-8247 (San Francisco)	Rhode Island	(617) 565-2895 (Boston)
Idaho	(206) 615-2125 (Seattle)	South Carolina.....	(864) 582-1091 Ext. 260 (Spartanburg)*
Illinois.....	(312) 575-4244 (Chicago)	South Dakota.....	(800) 314-1964 (Denver)
Indiana	(312) 575-4244 (Chicago)	Tennessee	(615) 907-9501 (Murfreesboro)*
Iowa	(816) 936-5649 (Kansas City)	Texas-Central/South...	(512) 916-5391 (Austin)**
Kansas.....	(816) 936-5649 (Kansas City)	Texas Dallas/North....	(817) 978-3123 (Fort Worth)**
Kentucky.....	(859) 294-5153 Ext. 3055 (Lexington)*	Texas-East.....	(713) 718-3015 (Houston)**
Kentucky.....	(502) 244-0593 ext. 201 (Louisville)*	Texas-West.....	(505) 346-6651 (Albuquerque)**
Louisiana	(504) 589-4425 (New Orleans)**	Utah.....	(800) 314-1964 (Denver)
Maine	(617) 565-2895 (Boston)	Vermont	(617) 565-2895 (Boston)
Maryland.....	(215) 597-4632 (Philadelphia)	Virgin Islands.....	(787) 766-5574 (San Juan)
Massachusetts	(617) 565-2895 (Boston)	Virginia	(215) 597-4632 (Philadelphia)
Michigan.....	(312) 575-4244 (Chicago)	Washington	(206) 615-2125 (Seattle)
Minnesota	(312) 575-4244 (Chicago)	West Virginia	(215) 597-4632 (Philadelphia)
Mississippi.....	(601) 693-4859 (Meridian)*	Wisconsin.....	(312) 575-4244 (Chicago)
		Wyoming.....	(800) 314-1964 (Denver)

* or Atlanta (404) 562-1315

**or, Denver (303) 844-2364

Appendix C: IRS/SSA Publications

There are other IRS and SSA publications that can help employers file wage reports. Several key publications from each Agency are listed below.

IRS Publications

- Employer's Tax Guide, Publication 15 (Circular E)
- Employer's Supplemental Tax Guide, Publication 15-A
- Farmer's Tax Guide, Publication 225
- Tax Guide for Small Business, Publication 334
- Federal Employment Tax Forms, Publication 393
- Reporting Back Pay and Special Wage Payments to the Social Security Administration, Publication 957
- Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3, Publication 1141
- Rules and Specifications for Private Printing of Substitute Forms W-2c and W-3c, Publication 1223

You can get copies of these and other IRS publications via the IRS website @ www.irs.gov, by contacting the local IRS office listed in your telephone directory or calling toll free 1-800-829-3676 to request this information.

SSA Publications

- Employers Guide to Filing Timely and Accurate W-2 Wage Reports.

For copies of this publication, please visit SSA's website at www.ssa.gov/employer or contact your regional SSA ESLO listed in Appendix B.

- Software Specifications and Edits for Correcting Annual Wage Reports, Publication No. 31-031.

You can obtain copies of this SSA publication by:

- ❑ Reading and printing directly from the Employer Information section of SSA Online @ <http://www.ssa.gov/employer> or by
- ❑ Writing to: Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

APPENDIX D: CHART TO RELATE PAPER W-2/W-3 ENTRIES TO MAGNETIC MEDIA REPORTING AND ELECTRONIC FILING DATA FIELDS

<u>PAPER W-2 BOX 11</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
Nonqualified Plans Section 457	Code RW record, Location 353-363
Not Section 457	Code RW record, location 375-385
 <u>PAPER W-2 BOX 12</u>	
A Uncollected Social Security Tax on Tips B Uncollected Medicare Tax on Tips:	.
Combine code A and B amounts and enter combined total.	Code RO record, location 23-33
C Employer Cost of Premiums for group- term life insurance over \$50,000	Code RW record, location 408-418
D Section 401(k) contributions	Code RW record, location 287-297
E Section 403(b) contributions	Code RW record, location 298-308
F Section 408(k)(6) contributions	Code RW record, location 309-319
G Section 457(b) contributions	Code RW record, location 320-330
H Section 501(c)(18)(D) contributions:	Code RW record, location 331-341
J Sick Pay not includable as income.	Not required by IRS for Magnetic media or electronic reporting.
K Tax on excess golden parachute payments.	Not required by IRS for Magnetic media or electronic reporting.
L Non-taxable part of employee business expense reimbursements.	Not required by IRS for Magnetic media or electronic reporting.

<u>PAPER W-2 BOX 12 (cont.)</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
M Uncollected social security tax on cost of group-term life insurance.	Not required by IRS for Magnetic media or electronic reporting.
N Uncollected Medicare tax on cost of group-term life insurance.	Not required by IRS for Magnetic media or electronic reporting.
P Excludable moving expense reimbursements	Not required by IRS for Magnetic media or electronic reporting.
R Archer Medical Savings Account	Code RO record, location 34-44
S Simple Retirement Account	Code RO record, location 45-55
T Qualified Adoption Expenses	Code RO record, location 56-66
V Income from the exercise of nonstatutory stock options.	Code RW record, location 419-429
<u>PAPER W-2 BOX 13</u>	
Statutory Employee	Code RW record, location 486.
Retirement Plan	Code RW record, location 488
Third-Party Sick Pay	Code RW record, location 489
Retirement Plan Contributions Not Reported In Box 12	Not required by IRS for Magnetic media or electronic reporting.
All Other Information	Not required by IRS for Magnetic media or electronic reporting.
<u>PAPER W-3 BOX 13</u>	
Income Tax Withheld By Payer of Third-Party Sick Pay .	Code RT record, location 325-339

See IRS Publication No. 15-A

Appendix E: Acronyms

AWR	Annual Wage Reporting
EIC	Earned Income Credit
EIN	Employer Identification Number
ESLO	Employer Services Liaison Officers
EVS	Employee Verification Services
FICA	Federal Insurance Contribution Act
FUTA	Federal Unemployment Tax Act
GTLI	Group-Term Life Insurance
IRS	Internal Revenue Service
MSA	Medical Savings Account
MQGE	Medicare Qualified Government Employee
OCR	Optical Character Recognition
OWRS	Online Wage Reporting Service
RRTA	Railroad Retirement Tax Act
SEP	Special Enrollment Period
SIMPLE	Savings Incentive Match Plan for Employees
SSA	Social Security Administration
SSN	Social Security Number
TY	Tax Year